

DECISION

**RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO COMMUNITY SERVICES COMMITTEE**

Agenda Item No. 8

meeting date: TUESDAY, 4 SEPTEMBER 2018
title: EDISFORD ARTIFICIAL PITCH PROPOSAL
submitted by: JOHN HEAP – DIRECTOR OF COMMUNITY SERVICES
principal author: MARK BEVERIDGE – HEAD OF CULTURAL AND LEISURE SERVICES

1 PURPOSE

- 1.1 To provide information on a revised financial offer from the Lancaster Foundation and Clitheroe Wolves Football Club (CWFC) to lease land from the Council to build an artificial pitch area (ATP) on the Council's existing ATP and the adjacent grass pitches and cricket wicket.
- 1.2 Relevance to the Council's ambitions and priorities:
- Community Objectives – To sustain a strong and prosperous Ribble Valley.
 - Corporate Priorities – To help make people's lives safer and healthier.
 - Other Considerations – None.

2 BACKGROUND

- 2.1 The Council owns and manages the grass and artificial football pitches at Roefield, together with an artificial cricket wicket alongside the tennis centre, (the centre itself is operated privately under a lease agreement with the Council). These facilities are provided for clubs and groups to hire, for which there are an annual set of charges fixed by Council.
- 2.2 This project in various forms has been considered previously by this Committee on four separate occasions.
- 2.3 On 16 May 2017 (minute 12), the Committee accepted a proposal in principle, which consisted of an indoor area, principally for football. This would be fully funded at a cost of around £1.2m by the Lancaster Foundation for Clitheroe Wolves, the LF also offered to refurbish the Council's existing artificial pitch area to the value of around £70,000.
- 2.4 On 29 August 2017 (minute 175), the Committee accepted a revised proposal, whereby the LF would still build an indoor facility. However they would provide the Council with match funding to make a funding bid to the Football Foundation to build a full size ATP, which would be owned and operated by the Council
- 2.5 On 17 October 2017 (minute 320), the Committee agreed the financial package being proposed for the Council to make a bid to the FF for funding, that included a full size ATP, amendments to the changing rooms to make them safeguard compliant and relocating the cricket wicket. The cost of the work was estimated at £950k, with up to £500k being sought from the FF and the balance from the LF.
- 2.6 On 13 March 2018 (minute 647), the Committee agreed a revised project proposal from the LF and CWFC, whereby they would create a new charity and the LF would fully fund 2 areas of ATP. One essentially covering the Council's existing site and an

adjacent full-size pitch. Both to be operated independently of the Council by a new charitable body. For leasing the land on which this would be built, the LF and CWFC proposed a cash and in-kind offer, to pay a £20,000 annual lease plus 10% of the available time would be given to the Council for sports development purposes. The scheme provided no additional changing rooms and no public toilets for the facility.

2.7 A copy of slides submitted by the Trustees for the proposed new charity are attached to this report.

3. THE NEW PROPOSAL

3.1 Since March the LF and CWFC have been working up the scheme and have now determined that the deal they had previously offered and Committee agreed to, is no longer suitable to them.

3.2 The revised offer being proposed is the Council only receives £10k for the first year of operation payable once the facility is built and then £20k pa thereafter. The 10% of slots available for sports development have been withdrawn.

4. FINANCIAL IMPLICATIONS OF THE NEW OFFER

Net loss of Revenue Income from the Site

4.1 The net cost to the Council on the Edisford All Weather Facility cost centre (EALLW) in 2017/18 was £6,368. This net cost allows for such items as internal recharges, depreciation and also other costs associated with the separate changing rooms, which need to be removed to establish the true net cost/income from the facility.

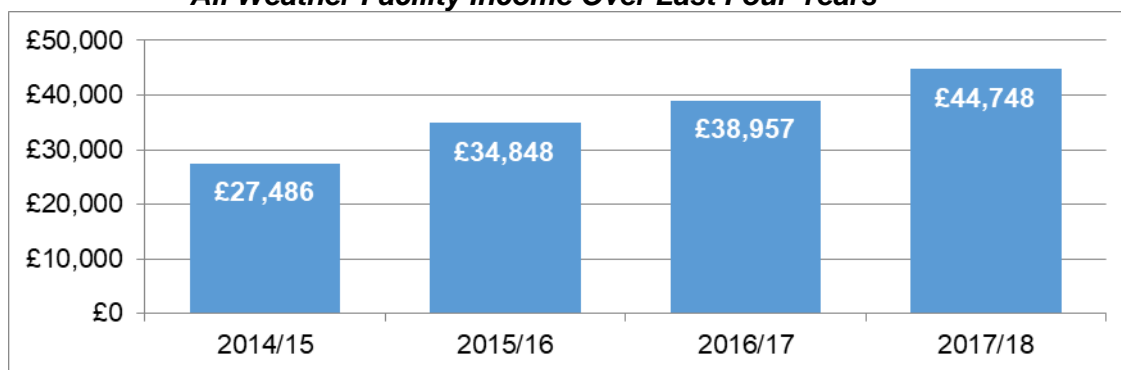
	Original Estimate 2017/18	Actual 2017/18	Relating to Changing Rooms	Remaining Staffing costs as TUPE would not apply	Depreciation	Resulting True Net Cost of All Weather Facility
Premises Related						
Repair & Maintenance	3,100	1,437				1,437
Electricity	1,590	1,566				1,566
Business Rates	1,910	1,911				1,911
Premises Insurance	700	442				442
Total Premises Related	7,300	5,356	0	0	0	5,356
Supplies and Services						
Equipment & Materials	670	634	-450			184
Rental	100	0				0
Total Supplies and Services	770	634	-450	0	0	184
Support Services						
Internal Support Services	15,600	15,401		-15,401	0	0
Total Support Services	15,600	15,401	0	-15,401	0	0
Depreciation and Impairment						

	Original Estimate 2017/18	Actual 2017/18	Relating to Changing Rooms	Remaining Staffing costs as TUPE would not apply	Depreciation	Resulting True Net Cost of All Weather Facility
Depreciation	26,030	30,153			-30,153	0
Total Depreciation and Impairment	26,030	30,153	0.00	0.00	-30,153	0
Customer and Client Receipts						
Income from use of the all-weather facility	-29,490	-44,748				-44,748
Hire of Changing Rooms	-1,190	-428	428			0
Total Customer and Client Receipts	-30,680	-45,176	428	0.00		-44,748
	19,020	6,368	-22	-15,401	-30,153	-39,208

- **Costs relating to changing rooms** – use of the all-weather facility also carries associated costs of the separate football pitch changing rooms. This allocation of costs would not be saved if the all-weather facility was no longer operated by the Council, but would be charged elsewhere (£450). There is also associated income in respect of other usage of the changing rooms, and this would also still exist (£428). The net cost in 2017/18 was therefore £22.
 - **Remaining staffing costs as TUPE would not apply** – these are costs incurred by the Council, largely in relation to staff time in Council departments that support such front line services as the all-weather facility eg pool staff taking bookings. These costs are recharged based on allocations of time spent working on different service areas. Due to the low level of time incurred in relation to this facility, the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) would mean that there would be no transfer of staff. As such this cost would not be saved if the all-weather facility was no longer operated by the Council. These costs in 2017/18 amounted to £15,401.
 - **Depreciation** - for local authorities, depreciation is largely an accounting adjustment made to represent the use of an asset and has no impact on the overall cost of Council services being reversed and adjusted through what is known as the Capital Adjustment Account and replaced by the true cost of borrowing. Depreciation charged (and later reversed) in relation to this service was approximately £30,153.
- 4.2 Based on the above adjustments, the true underlying net income of the site in 2017/18 to the Council was £39,208.
- 4.3 The development of the site would also impact on the income from the loss of a grass football pitch on the site. There is a relatively low level of income received from the hire of grass football pitches, being £2,580 from the nine pitches located at Edisford/Roefield. If averaged across the grass football pitches this would equate to lost income of approximately £290. No savings have been identified in respect of maintenance of the lost grass football pitch.
- 4.4 With regard to the cricket wicket, no income is currently received. However, should this be relocated, there would be an associated likely capital cost.

- 4.5 For revenue purposes the Lancaster Foundation/Clitheroe Wolves Football Club proposal would result in an overall net loss of income of £39,500, being the income lost from the all-weather facility and the average income from one grass football pitch.
- 4.6 Income has continued to increase following the £47,000 capital investment that the Council made in the current facility in 2015/16 (part funded by Sport England) when half of the facility had a new 3G surface installed.

All Weather Facility Income Over Last Four Years



Future income and overall revenue financial impact

- 4.7 In return for the site the Council have been offered £10,000 for the first year of operation of the new facility after construction followed by £20,000 per annum thereafter.
- 4.8 There have been two dates proposed for handover of the site, being October 2018 or April 2019. October 2018 is the favoured option for the Lancaster Foundation/Clitheroe Wolves Football Club proposal.
- 4.9 Based on these two proposed start dates and the lease offer that has been put forward, the financial impact for the Council is detailed below. Both scenarios assume 6 months for construction/completion and disregard the impact of any increases that would have been applied to fees and charges each year or inflation:

	Based on October 2018 Handover of Site and Assuming Completion in April 2019	Based on April 2019 Handover of Site and Assuming Completion in October 2019
2018/19		
Lost net income from existing all weather facility	29,590	0
Lost net income from grass pitches up to start date	150	0
Lease Income from the Proposal (£10K first year after completion followed by £20K per annum)	0	0
Net Impact for 2018/19 (Net lost Income for RVBC)	29,740	0
2019/20		

	Based on October 2018 Handover of Site and Assuming Completion in April 2019	Based on April 2019 Handover of Site and Assuming Completion in October 2019
Lost net income from existing all weather facility	39,210	39,210
Lost net income from grass pitches up to start date	290	290
Lease Income from the Proposal (£10K first year after completion followed by £20K per annum)	-10,000	-5,000
Net Impact for 2019/20 (Net lost Income for RVBC)	29,500	34,500
2020/21		
Lost net income from existing all weather facility	39,210	39,210
Lost net income from grass pitches up to start date	290	290
Lease Income from the Proposal (£10K first year after completion followed by £20K per annum)	-20,000	-15,000
Net Impact for 2020/21 (Net lost Income for RVBC)	19,500	24,500
2021/22		
Lost net income from existing all weather facility	39,210	39,210
Lost net income from grass pitches up to start date	290	290
Lease Income from the Proposal (£10K first year after completion followed by £20K per annum)	-20,000	-20,000
Net Impact for 2021/22 (Net lost Income for RVBC)	19,500	19,500

4.10 As can be seen above, the underlying future net loss of income to the Council from the proposal would be **£19,500 per annum**, excluding the impacts of inflation or increases in fees and charges.

4.11 The Lancaster Foundation/Clitheroe Wolves Football Club proposal suggests that the Council will benefit from increased car parking income at Edisford Road Car Park. It is not possible to assess whether this might be the case or not at this stage.

Capital Programme Implications

4.12 In respect of the capital programme, there is currently a scheme approved for the current financial year for the replacement of the current fittings and control gear with more energy efficient self-contained LED fittings. The budget for this scheme is £31,000 and is to be funded from the VAT Shelter Earmarked Reserve (£5,000) and the New Homes Bonus Earmarked Reserve (£26,000). Should this scheme no longer be required this would release the commitments that have been made against these two funding streams.

4.13 Should a decision be made to relocate the cricket wicket, it may be an option to use the above released resources to fund this, although there is very little income currently received from existing use (none in 2017/18).

4.14 In a desktop valuation by the District Valuer for the purposes of the Council's Statement of Accounts (March 2018), the current all-weather facility site was

estimated to have a remaining life of 10 years. The valuation of the site **for accounting purposes only** was structure £310,000 and land £50,000. It is important to highlight that this does not reflect sale value of the asset/site. A different valuation basis would be needed for this to be established.

5 ISSUES

- 5.1 The Council prudently budgets £30k for income from the existing facility, although demand for it is not fixed, hence in the past three years income has exceeded budget. Especially following the upgrade of the facility to a 3G surface.
- 5.2 This income was to be offset by the financial deal which the Council agreed in October 2017. The cash and kind agreement agreed meant the Council would be able to use the 10% of time on the pitches to help address issues of anti-social behaviour in the area, by providing activities for young people or provide opportunities for the financially disadvantaged to enjoy the facilities. That will no longer be possible.
- 5.3 The financial deal now being offered is undoubtedly worse in the long term for the general Council Tax payer. Over the 25 year life of the lease, the Council will lose a net income of £487,500. That subsidy will need to be found elsewhere from Council budgets.
- 5.4 The project was granted planning permission on 2 August and although the LF and CWFC issued a press release giving the impression that the scheme was to shortly commence, there is no signed lease agreement in place for them to commence construction. Members are reminded that a similar situation arose in Longridge where Berry Lane Medical Practice obtained planning permission, but could not reach an agreement with the Council for the land they needed to build upon.
- 5.5 The project if it were to commence in the autumn, would require all existing Council bookings to be cancelled. These include CWFC, but also many other users who would have to find alternative provision. Currently, the Council has not been able to provide any notice to any of these users as we do not have a start date for the scheme. From a user perspective, including the existing CWFC use, if the scheme is given permission, consideration should be given to that being on the condition it commences in the Spring to minimise the impact on all current users.
- 5.6 The new scheme makes no provision for cricket, unlike the Council scheme where the wicket would have been relocated, so that provision for junior cricket was protected. Indeed it was part of the grant requirements from the FF. There has been no such proposal made by the LF or CWFC. The cost of the relocation of the wicket was estimated at £11,500 in Oct. 2017. As this is not part of the new scheme, the current club will no longer be able to play there and the young people who use the facility will need to find alternative provision.
- 5.7 The scheme has no provision for changing rooms or any public toilet provision. The nearest building with such facilities is the Council's own changing room block for which charges apply for their use. The only other toilets are within the swimming pool and Roefield Sports Centre, neither of which are practical for an outdoor pitch.
- 5.8 Given the scale of the build, although no site plan has yet been received, it will clearly have an impact on the other grass pitches on the Roefield side with at least one grass pitch being lost to the scheme and throughout the winter period a number of the others will not be available to use, due to the size of the area needed for construction.

- 5.9 CWFC are proposing to create a new charity to run the facility, although the Charity Commission have yet to give their approval for it to be created. If a lease is granted it should only be to that new body with no opportunity for it to be assigned to anyone or any other organisation.
- 5.10 Depending upon the decision of this Committee, the Council will require the lease to be signed and then all the necessary site information will be required before work on site can commence. Otherwise the Council would be handing over the site to a new body with no guarantee the work would be completed in safe manner and that following completion the land over which large construction vehicles will need to pass, is reinstated properly to a standard the Council will accept. Otherwise the public purse runs the risk of having to make good the football fields post construction.

6 RISK ASSESSMENT

6.1 The approval of this report may have the following implications:

- Resources – The Lancaster Foundation/Clitheroe Wolves Football Club proposal would result in a future loss of income to the Council of £19,500 per annum, after the initial phasing of the lease payment has settled. There would be savings from the all-weather facility lighting capital scheme of £31,000, however part of this saving may be needed to relocate the cricket wicket. There would also be savings under the capital programme from any future replacement of the all-weather facility surface not currently within the five-year timescale of the capital programme.
- Technical, Environmental and Legal – Without a lease in place with the body which will run the facility, it could be assigned to any organisation. Therefore the lease must be with the new charity and with no assignment rights.
- Reputation – The provision of sport is not a statutory requirement for local and although the offer appears attractive on the surface, there may well be other sports groups in the borough who might see the proposed subsidy be asked of the Council as unfair.
- Equality and Diversity – The offer by the LF was made first and foremost to CWFC and although the new charitable body being proposed will require income from other users to defray running costs, it is unknown how much they will pay in comparison to the usage by CWFC.

6 RECOMMENDED THAT COMMITTEE

6.1 Committee consider carefully, whether to accept the reduced offer in light of the information now presented.

MARK BEVERIDGE
HEAD OF CULTURAL AND LEISURE SERVICES

JOHN HEAP
DIRECTOR OF COMMUNITY SERVICES

BACKGROUND PAPERS

None.

For further information please ask for Mark Beveridge, extension 4479.

A soccer ball with 'Mitre' and 'DELTA' branding is in the foreground on a green artificial turf field. In the background, several players in blue and yellow kits are visible on the field, and a goal is partially seen on the right. The sky is overcast.

Roefield 3G Financial Forecasting Model

THE LANCASTER FOUNDATION & RVCST TRUSTEES

9th AUGUST 2018

ASSUMPTIONS

- OUTGOING COSTS ARE BASED ON INDUSTRY STANDARD ESTIMATES PROVIDED BY SURFACING STANDARDS LIMITED IN 2018 PRICES
- NO ALLOWANCE FOR INFLATION – 2018 PRICES (INITIAL SLIDES)
- RATES HAVE BEEN BENCHMARKED BASED ON OTHER LOCAL FACILITIES AND ON AGREED MATCH RATES WITH LANCASHIRE FA
- OPTIMISTIC IN TERMS OF UTILISATION
 - Staff / marketing to boost bookings
- IMPACT OF COUNCIL BOOKINGS
 - No income for council 10% bookings
- IMPACT OF WEEKEND BOOKING RESTRICTIONS AFTER 7PM
 - Planning condition likely to restrict weekend usage

ANNUAL OUTGOINGS

ANNUAL MAINTENANCE COSTS

£4,715

- Equipment replacement
- Contract cleaning
- Floodlight inspection, cleaning and bulb replacement

END OF LIFE REPLACEMENT COST (SINKING FUND)

£31,100

- 3G turf replacement @ every 10 years
- Shock-pad replacement @ every 20 years

OTHER RUNNING COSTS

£71,850

- Ground rent
- Staff costs
- Utilities
- Website & Marketing
- Insurance
- Pitch Testing (every 3 years)

TOTAL

£107,665

ANNUAL INCOMINGS

IN SEASON – WINTER (23 WEEKS) £63,710

- Wolves Training
- Weekend Matched
- 25% Utilisation

IN SEASON – SPRING / AUTUMN (9 WEEKS) £18,720

- Reduced Wolves Training
- Weekend Matches
- 25% Utilisation

OFF SEASON – SUMMER (16 WEEKS) £20,040

- Wolves Tournaments
- Summer Leagues (Walking Football, etc.)
- 18% Utilisation

TOTAL £102,470

Three fold increase in customer receipts.

IMPACT OF 10% BOOKINGS GIFT TO RVBC

TOTAL VALUE OF COUNCIL BOOKINGS £43,560

- Based on the benchmarked rates
- 48 weeks a year

VALUE BASED ON 70% PEAK AND 25% OFFPEAK £25,146

- Slots likely to be booked by Wolves

IMPACT OF PLANNING CONDITION

TOTAL VALUE OF WEEKEND BOOKINGS AFTER 7PM £28,800

- OFF PEAK RATES

- 48 WEEKS

TYPICAL VALUE OF WEEKEND BOOKINGS AFTER 7PM £4,400

- BOTH PITCHES 1 HOUR PER WEEK

- 48 WEEKS

SUMMARY – WITH INFLATION

YEAR	1	2	3	4	5
INCOMING					
CUSTOMER RECEIPTS (NO COUNCIL BOOKINGS - NO WEEKEND EVENINGS)	£67,000	£81,200	£95,500	£99,600	£103,700
CUSTOMER RECEIPTS (WITH COUNCIL BOOKINGS 70% PEAK, 25% OFF PEAK - NO WEEKEND EVENINGS)	£92,100	£106,400	£120,600	£124,700	£128,800
CUSTOMER RECEIPTS (WITH 1 HOUR PER WEEK ON WEEKEND EVENINGS)	£96,500	£110,800	£125,000	£129,100	£133,200
OUTGOING					
MAINTENANCE	£4,900	£5,000	£5,200	£5,300	£5,500
OTHER COSTS	£12,500	£12,900	£13,300	£13,700	£14,100
GROUND RENT	£10,000	£20,000	£20,000	£20,000	£20,000
STAFF COSTS	£42,000	£44,000	£50,000	£53,000	£55,000
SINK FUND	£31,100	£31,100	£31,100	£31,100	£31,100
TOTAL	£100,500	£113,000	£119,600	£123,100	£125,700
PROFIT / LOSS (NO COUNCIL BOOKINGS - NO WEEKEND EVENINGS)	-£33,500	-£31,800	-£24,100	-£23,500	-£22,000
PROFIT / LOSS (WITH COUNCIL BOOKINGS 70% PEAK, 25% OFF PEAK - NO WEEKEND EVENINGS)	-£8,400	-£6,700	£1,000	£1,600	£3,200
PROFIT / LOSS (WITH 1 HOUR PER WEEK ON WEEKEND EVENINGS)	-£4,000	-£2,300	£5,400	£6,000	£7,600

IMPACT ON RVBC ACCOUNTS

VALUES TAKEN FROM Pg103-105 RVBC 2018/19 BUDGET DOCUMENT

Edisford All Weather Pitch	Original Estimate 2017/18	Revised Estimate 2017/18	Original Estimate 2018/19
Premises Related Expenditure	7600	7600	7900
Supplies & Services	770	770	780
Support Services	15300	14800	16240
Depreciation and Impairment	26030	30150	30150
Customer & Client Receipts	-30680	-30180	-30770
	19020	23140	24300

BUDGET DOCUMENT ALSO INCLUDES ON PAGE 185 A CAPITAL PROGRAMME ITEM OF £31,000 IN 2018/19 FOR ALL WEATHER PITCH LIGHTING OF £31,000

REVISED RVCST PROPOSAL

- REDUCED GROUND RENT IN YEAR 1 OF £10,000 (50% REDUCTION)
- REMOVAL OF 10% ALLOWANCE FOR RVBC BOOKINGS FROM COMMUNITY USE AGREEMENT
- PREFERENTIAL TREATMENT FOR RVBC BOOKINGS OF SLOTS
- RVCST TO PROVIDE FREE AND/OR REDUCED COST SESSIONS & EVENTS FOR COMMUNITY BENEFIT
- ANY SURPLUS TO SUPPLEMENT SINK FUND TO ENSURE SUSTAINABILITY OF PROJECT OR TO BE RINGFENCED TO FUND MAINTENANCE & IMPROVEMENT OF GRASS PITCH PROVISION

CONCLUSION

- 10% OF BOOKINGS TO COUNCIL REDUCES POTENTIAL RECEIPTS FOR RVCST
- WEEKEND RESTRICTIONS WILL ALSO REDUCE POTENTIAL RECEIPTS FOR RVCST
- THIS WILL HAVE A SIGNIFICANT IMPACT ON PROFIT LOSS ACCOUNT
- IF OPTIMISTIC UTILISATION TARGETS ARE NOT ACHIEVED SIGNIFICANT LOSSES ARE LIKELY
- REMOVING THE 10% OF BOOKINGS FOR RVBC FROM THE COMMUNITY USE AGREEMENT AND THE WEEKEND RESTRICTIONS ON HOURS OF USE WILL SIGNIFICANTLY IMPROVE SCHEME VIABILITY
- RVBC ARE CURRENTLY ACCOUNTING A LOSS OF ~£23,000 PER ANNUM ON EDISFORD ALL WEATHER PITCH
- REVISED PROPOSALS STILL REPRESENT A WIN-WIN AND SHOULD BE SUPPORTED BY RVBC

