

Executive

Report of the Director of City Strategy

Community Stadium – Outline Business Case

1.0 SUMMARY

- 1.1 This outline business case (OBC) provides a high level analysis of the potential for a community stadium in York. It draws on feasibility work undertaken by Five Lines Consulting, case studies and reports for other stadiums across the UK, the ARUP report 2006 (York Central), and other specialist advice provided for the City of York Council (CYC).
- 1.2 The purpose of this report is to identify the need for a stadium and provide a vision of what it might include. This is the first key stage of the project; the analysis, costings and findings remain at a high level. All costs, values and figures are provided as best estimates for illustrative purposes only. They rely on assumptions and evidence set out in the feasibility study. It provides an initial indication of the potential benefits, costs and viability of four main options to enable further discussion and move to the next key stage of the project: detailed feasibility.
- 1.3 Demand for a shared core stadium for York City FC and York Knights FC and the provision of a high quality athletics facility has been established. A range of community and ancillary commercial uses have also been identified that might support the 'core' making a positive contribution to the aims and objectives of the Strategic Partnership and Corporate Strategy. In particular the opportunity exists (subject to further discussions) for new health care provision and the creation of an 'Academy for Sport and Well-Being' for the city, bringing together education, health and sporting services.
- 1.4 Initial evidence suggests that it is possible to develop the community stadium as a highly sustainable facility. The opportunity exists to explore developing the project as the UK's first Eco-Stadium. This would require additional capital investment, however considerable carbon and revenue savings can be achieved. Opportunities for external funding and commercial sponsorship may exist, strengthening the fundability and financial case.
- 1.5 A long-list of six options was considered to help shape four principal options. Details regarding their component uses are summarised in Table 1 below:
 - **Option 1:** Shared football and rugby core stadium. £1M contribution to replacement Athletics not as part of stadium.

- **Option 2:** Shared football and rugby stadium plus community sports village including county standard athletics facility and sports pitches
- **Option 3:** Option 2 (above) plus extensive range of community facilities including educational, health and well being; and
- **Option 4:** Option 3 (above) plus a hotel / conference centre.

Table 1: The short-listed options and their components

Option	Component	Specifics
1	Core Stadium	<ul style="list-style-type: none"> ▪ 6,000 seat core stadium (with potential to be extended) ▪ Shared between York City FC / York Knights RLFC ▪ Hospitality / functioning facilities ▪ 15 Executive Boxes ▪ Car Parking / circulation space
	Athletics	<ul style="list-style-type: none"> ▪ £1M contribution to the re provision of an athletics facility, elsewhere in the city (not necessarily on the same site as the stadium)
2 (+1)	Community Sports	<ul style="list-style-type: none"> ▪ County Standard Athletics facility for example with changing / club / spectator and warm-up facilities ▪ Synthetic sports pitches (1x 3G, 1 x 'tiger turf', 2x multi-use) ▪ High quality grass pitches (x4) ▪ Potential to create a 'Centre of Excellence' for hockey linked to the other sports uses. <p>(NB. The precise mix to be the subject of further economic , demand and competitor analysis)</p>
3 (+2)	Other Community	<ul style="list-style-type: none"> ▪ Educational 'Academy of Sports & Well-Being' ▪ Health / well being provisions ▪ Potential for other community uses (multi-functional office space as part replacement or in addition to above)
4 (+3)	Ancillary Commercial	<ul style="list-style-type: none"> ▪ 120 bed 4* Hotel with extensive conference and leisure facilities – linked to the community stadium

Note: The options and uses set out in this table are for illustrative purposes only. The components will change as the project develops. They are not final proposals, just a starting point for further feasibility work and discussion with potential partners.

- 1.6 A high level cost and benefits model has been created to provide an initial idea of potential costs, revenue streams, fundability and wider impact of each option. This is for illustrative purposes only, and is a starting point for more detailed and robust feasibility work.
- 1.7 At this early stage, the analysis identifies that there is a significant capital funding shortfall for three of the four options. Option 1 has a minimal shortfall (£100K) and appears deliverable, however, it may not be commercially robust (there is a high risk it would require on-going revenue subsidy). It would also make a minimal contribution to wider community and corporate objectives. Options 3 and 4 have the greatest potential for community benefit, however have significant funding requirements. Option 4 is the only option that demonstrates potential commercial robustness and wide community benefits.

- 1.8 It is estimated that in the region of £9M of capital contributions may be available (see table 9). There may be a small shortfall for option 1. There is scope to reduce the shortfall for each of the other options(2,3&4), if additional (external) funds are achieved linked to the extensive community benefits that each of these options brings. This would make a dramatic improvement to the commercial viability of options 2,3&4. This would not affect option 1, which would almost certainly not qualify due to the limited community benefits included in this option. The opportunity for external funding is stronger for options 3 & 4 as they also offer a multi-agency approach.
- 1.9 Option 4 has the greatest capital shortfall, however, it would be supported by a key commercial anchor and is commercially sustainable. It is more likely that this option could attract interest from commercial partners / developers. It is also possible that for the same level of capital investment as the other options, the risk associated with the development and long-term revenue support could be minimised (and in some cases transferred) from the council and its partners to the private sector. Table 2 below summarises the advantages and disadvantages of the four options:

Table 2: Summary of key advantages and disadvantages

	Advantages	Disadvantages
Option 1	<ul style="list-style-type: none"> ▪ Deliverable within illustrated budget identified ▪ Simple development model ▪ Minimal land take – more options for site selection 	<ul style="list-style-type: none"> ▪ Very limited scope for attracting additional funding (if illustrated funding not achieved) ▪ Minimal wider community benefit ▪ High risk would need ongoing revenue support ▪ £1M unlikely to provide a county standard athletics facility
Option 2	<ul style="list-style-type: none"> ▪ Provides wide range of community sports benefits local / regional significance – meets identified need 	<ul style="list-style-type: none"> ▪ Minimal scope of attracting external funding ▪ Commercially unviable ▪ High risk of ongoing revenue support
Option 3	<ul style="list-style-type: none"> ▪ Wide range of community benefits ▪ Major local & regional contribution to strategic objectives ▪ Scope for external funding ▪ Potential for commercial viability if external funding achieved ▪ Multi agency approach 	<ul style="list-style-type: none"> ▪ High risk of ongoing revenue support ▪ Major funding gap ▪ Commercially unviable unless external capital funding achieved ▪ Complex partnership arrangements ▪ Large land take (minimal sites available)
Option 4	<ul style="list-style-type: none"> ▪ Commercially viable ▪ Robust under many sensitivity scenarios ▪ Wide range of community benefits ▪ Major local & regional contribution to strategic objectives ▪ Scope for external funding ▪ Scope for PPP capital / risk transfer ▪ Multi agency approach 	<ul style="list-style-type: none"> ▪ Major funding gap requiring - ‘commercial partner’ ▪ Complex development project ▪ Complex partnership arrangements ▪ Large land take (minimal sites available)

- 1.10 This is only an indicative options appraisal. However, this study has demonstrated a need for a community stadium, and the potential to further explore a wide range of community benefits for the city. There is scope to develop an option that is deliverable and commercially sustainable that meets the aspirations of the key partners and the wider community. The opportunity regarding wider community uses and partnerships needs to be tested and

further developed. Discussions with potential funding agencies and potential commercial development routes need to be initiated.

1.11 It is important that any option developed, does not open the council and its partners to future financial liability. It is therefore recommended that a prudent approach be taken. That detailed feasibility and site selection work be undertaken, developing the findings of this study. To develop a robust business case and funding appraisal for an option that best meets the project's success criteria and, in particular, is commercially sustainable and deliverable. To do this the following key actions will be required:

- Site selection and development of the planning case.
- Formalisation of partnerships and potential management / governance arrangements.
- Preparation of a detailed economic assessment.
- Master planning & architectural schematics.
- Detailed feasibility, cost and funding options.
- An environmental sustainability feasibility study.
- A detailed risk assessment.

2.0 REPORT STRUCTURE

PART 1 - Demand Assessment: Summarises the detailed analysis regarding demographic profile, strategic review, comparator exercise, and identifies the need for potential components for a community stadium.

PART 2 - Assessment of Options : Establishes a short-list of options for a community stadium. Summaries the detailed financial, economic analysis undertaken for each option. Considers its strategic alignment, options for funding and taking the project forward. Risk assessment, key corporate considerations, summary and recommendations.

Appendices

More detailed information / evidence from the feasibility study is provided to support the report, set out in the following appendices:

1. Public sector policy framework
2. Stadium comparator analysis
3. Governance / management arrangements
4. Environmentally sustainable power sources (some options).
5. Development of the undercroft – Frank Whittle Partnership(FWP)
6. Attendance / stadium trends in the UK
7. Demand / need analysis
8. Long-list options appraisal

- 9. Planning Issues
- 10. Project Costs (confidential)

PART 1 DEMAND ASSESSMENT

3.0 STRATEGIC REVIEW

- 3.1 It is necessary to consider the strategic context that a community stadium will operate in with particular reference to York's demographic and economic profile / prospects and its strategic policy framework.

Population

- 3.2 York has a population of 194,300. It has a predicted growth rate of 1.0% more than double the national average. It is a major commercial centre, so has a relatively large 'travel to work' catchment, which provides an additional population base (315,750 people) for any new facilities at the Community Stadium. In reality, York's appeal spreads further than this, particularly as a leisure and business visitor destination.

Economy

- 3.3 York is a relatively strong city economically. It has recovered following the decline of its traditional manufacturing base (including confectionery), restructuring towards higher value services such as tourism, financial services, and science clusters. As identified in the Yorkshire and Humber Regional Economic Strategy, York's unique blend of superb heritage and its Science City status gives it excellent long-term growth prospects.
- 3.4 The relative economic prosperity and the favourable future prospects are attractive features from the point of view of any new stadium-led leisure and tourism development in the city, particularly in terms of those facilities which depend on consumers' discretionary income (including of course tickets for football and rugby league matches, and getting entry into sports and leisure facilities for 'active' pursuits such as health and fitness clubs or five a side football).
- 3.5 The city has two universities which are integral to its ongoing success. There is also York College, which offers further and higher education courses. The city has around 10,000 students. There is a potential role for the universities and the college as part of the new Community Stadium.
- 3.6 Although York's population may be regarded as reasonably wealthy and well-skilled, the overall picture masks some severe pockets of poverty in the city. Indeed, six of York's wards contain pockets of deprivation within the 20% most deprived in England (based on the Government's Index of Multiple Deprivation).

Tourism

- 3.7 One of York's major sectors is its 'visitor economy'. As a sporting venue which could attract both day trippers and overnight tourists, the Community Stadium could become a key 'attractor' of visits to the city, particularly if the

football club and rugby league club achieve success on the pitch (attract large away crowds), and the athletics track hosts regional / national competitions. There is also the opportunity for new tourism facilities to form part of any facility mix at the new stadium in order to help plug current gaps in the city's tourism product. York is one of the UK's leading visitor destinations. Added to the appeal of its tourism product, York is centrally located within the UK and highly accessible, which further enhances its attractiveness to a variety of leisure and business tourists.

- 3.8 One of York's most economically valuable tourism market segments is the business, conference and corporate event sector. In general, business tourists spend more per day than leisure tourists (the ratio of a business tourist spending per day to a holiday-maker's is approximately 3:1), so the business tourism market is highly important to York, and the wider region.
- 3.9 York's continued success as a visitor destination – and the strong performance of the hotel sector - has led to a significant amount of private and public sector investment in its tourism offer, including new hotels and the refurbishment of existing hotels which can benefit from the city's success in attracting both leisure and business visitors throughout the year. Indeed, as will be discussed later there are a number of gaps - particularly in terms of additional higher quality hotel provision and new 'fit-for-purpose' conference space – which could complement the facilities provided within the Community Stadium.

Public Sector Strategy and Policy Context

- 3.10 A variety of public sector bodies have been involved in the funding of other community stadiums, including the local authorities (primarily because of the local socio-economic and other community benefits which are created), Regional Development Agencies (because of the economic benefits), and the Sports Lottery Fund and Football Foundation (in light of the sporting benefits created such as widening of access and increased participation). Should the Community Stadium project align with the strategic objectives and priorities of these and other potential key public sector organisations, there is an opportunity for the project to attract grant funding support.
- 3.11 A review of the following key strategic bodies has been undertaken to assess the policy framework for the community stadium project. A summary of this review is included in Annex 1.
- City of York Council and the Local Strategic Partnership ('Without Walls'), in which the Council is a key player.
 - Sport England.
 - Football Foundation.
 - Yorkshire Forward, as the Regional Development Agency for Yorkshire and the Humber.

- Visit York.

4.0 COMPARATOR ANALYSIS

4.1 A detailed study has been undertaken based on UK stadium led developments which have been selected due to their relevance to the issues facing York including: specific type of innovation, type / range of community facilities incorporated, commercial viability / sustainability, management / governance arrangements, build costs etc. It has also been used as a benchmark for the financial models used later and assists to identify key areas of risk that should be considered by the Council and its partners. Details of the case studies undertaken and general findings are provided in Annex 2.

The case for a new stadium

4.2 Community stadiums provide a range of other community-based facilities and services on top of their 'core' sporting facilities. In terms of core sporting facilities, this often includes facilities which are made available for professional and community sports clubs, including football, rugby league, rugby union, and athletics clubs. Critical to the financial stability of these clubs is their ability to optimise both match day and non-match-day income, which can be grown when clubs move to newly developed stadiums. According to research undertaken by PriceWaterhouseCoopers, there are a variety of commercial benefits created by the development of new football stadiums¹. These include the following:

- Increased average attendances due to (1) the improved safety and comfort offered by the new stadium, which enables the clubs to more effectively tap into particular groups of supporters such as families and women, and (2) the interest and goodwill generated by the new stadium development.
- Increased ticket prices through the improvements to the facilities on offer, such as better seating and improved sightlines. This includes the ability to enhance income through the sale of premium seats and executive boxes (which have access to high quality lounge and dining facilities).
- Increased visitor spending on catering and merchandising because of the increased visitor numbers using the stadium and the high quality of food and beverage, and retail, offers provided.
- Increased non-match day income due to the ability to use certain parts of the stadium on non-match days, including the main pitch for pop and rock concerts, or other parts of the ground (e.g., banqueting, conferences and exhibition facilities).

¹ Source: PriceWaterhouseCoopers (2008) *From Dressing Rooms to Conference Rooms – The Risks and rewards in Funding Sports Stadia*.

- There has also been a recent trend of incorporating hotels (which have conference, banqueting and leisure facilities) into new stadiums. Adding hotels to a stadium's facility mix enables (1) the potential of the hotel and stadium to share certain facilities (e.g., meeting and function rooms), (2) the possibility for the stadium complex to more effectively target some attractive markets, including corporate hospitality, conference and banqueting markets, and (3) creating operating synergies, including the ability for the club/s to sell short break packages which include both the match ticket and a night in the hotel.

Summary of comparator findings

- 4.3 Important lessons must be taken from the experiences elsewhere in the UK. Learning from both good and bad experiences will assist the development of this project. Of significant importance is the approach to management / governance arrangements.
- 4.4 The cost of modern stadiums varies greatly, this study includes a range from £850 per seat (Warrington) to £2,500 (Preston North End). Although cost per seat is widely used to compare costs, research suggests this approach is flawed. What is included, the design and quality of finish etc, varies hugely providing an inconsistent and dangerous benchmark. The safest approach is to identify the 'core stadium' cost, then add on all additional facilities / uses.
- 4.5 There have been a number of innovative new approaches to provide the 'community' element of the stadium. Healthcare and education provision have been used to generate an income stream and provided as part of the wider stadium complex. Successful examples of this are with the PCTs at both Preston and Warrington and with higher / further education colleges at Headingley and Hull. It also provides a new and innovative means of community provision and using a stadium as a focus of health, education and sport.
- 4.6 There is potential to generate commercial income streams via facilities such as offices, hotel and conferencing. Successful examples include Sheffield United and Reading. In terms of ancillary community facilities (e.g., outdoor and synthetic pitches), these may break even at operating profit level, although the likelihood of this would be dependent – at least partly – on the charging and programming policies adopted in relation to these facilities.
- 4.7 Although there are a host of possible governance and operating arrangements for community stadium, many of these leave the Council ultimately exposed to financial risk. For example, Doncaster Metropolitan Borough Council set up a separate stadium management company to operate the Keepmoat Stadium. However, the Council is still exposed to any operating losses generated by the stadium management company. Issues relating to governance and management arrangements are covered in detail in Annex 3.

- 4.8 The site required could range from 8 to 25 acres depending on the external facilities provided. The majority of the additional land take will be for uses such as athletics tracks and sports pitches. These have been developed in open or green belt sites.
- 4.9 Ground sharing creates both problems and opportunities. Heavy usage of pitches can create problems over the quality of playing surface. The use of the latest pitch technology will help address this, including the Desso System - which is used at Reading and Swansea – and is said to be more durable for pitches which are used intensively. There are also a number of commercial opportunities which could be exploited including reduced costs and increased utilisation.
- 4.10 The success of the focus on sustainability at Dartford’s Princes Way Stadium provides a new benchmark in environmentally friendly community stadiums. Although ‘sustainable design and build’ often increases the capital cost of projects, there is an opportunity for the new Community Stadium in York to take sustainability to a new level, building on the experiences and success of Dartford. This is examined as a case study in Annex 2. Sustainability issues are explored further in the report and in detail in Annex 4.
- 4.11 The design of the stadium and in particular the use of the undercroft can be used as a means of providing ancillary and commercial floorspace. This is a cost effective means of development and assists in maximising the land available, bring together services / uses with commonality and strengthening revenue streams whilst keeping capital costs down. Build costs can be reduced between 20-50%. The business case for innovative stadium design to maximise commercial uses is provided in Annex 5.
- 4.12 Where stadiums have been built and do not exploit other commercial revenue streams, they struggle financially. This can have an impact of the long term performance and viability of the teams and / or the financial risk for the council (where involved). Doncaster, Dartford and Leigh stadiums have required significant additional financial support from their respective councils.
- 4.13 There is a direct correlation between performance and attendances, as there is for new stadiums and the increase in attendances. Across the UK where new stadiums have been built there has been a significant impact on attendances. The study has identified a range between +17% and +302%, with an average of 48% for football and 42% for rugby league. In the majority of cases that increase is sustained and has slowly grown over the subsequent three years. (An analysis of attendance / stadium trends is provided in Annex 6).
- 4.14 Evidence undertaken in this study suggests that York has an untapped or dormant support for both rugby league and football. It is also evident that the city is of a size and demographic characteristic that if performance were to improve and / or new facilities be provided, attendances could significantly increase.

5.0 KEY COMPONENTS / FACILITY MIX

- 5.1 One of the primary aims of the first part of this report is to examine the need or demand for a community stadium. Building on the previous sections (strategic review and comparator analysis) this section looks in more detail at the potential components for a community stadium in York. It is important to consider the essential requirements of the key partners and any gaps in community provision across the city. As one of the main aims is to develop a commercially sustainable stadium, consideration also is given to uses that can complement the stadium and bring a mix of capital and revenue to cross subsidise the core and community uses. Details of the need / demand analysis undertaken are contained in Annex 7. A summary of those findings are set out below:

Core Uses

- 5.3 There is a demonstrable need for a community stadium in York. York City and York Knights are currently hampered by the current facilities and it is not cost effective to invest in to either of the existing facilities, if high quality facilities are to be provided.
- 5.4 There is a strong case to further examine the options for ground sharing between York Knights, a rugby league club and York City a football club. Games are played on different days and their seasons overlap, providing an ideal relationship for a ground share. There is no evidence to support the inclusion of an athletics track / facilities within the core stadium. This would be resisted by all core users and supporters.
- 5.5 Both clubs have a strong support base that will grow with a new stadium and / or progress to the next tier. They estimate that with a new stadium they can generate considerable revenue streams on match days and non-match days.
- 5.6 York has the potential to sustain significantly greater crowds for football and rugby leagues if the facilities were improved and performance of the teams improved. York FC has one of the highest attendances in the Blue Square Conference, 1.27% of the population. However, Cambridge (3.28%) and Oxford Utd (3.82%) achieve significantly higher attendances, yet have similar demographic / population catchments and characteristics. (A detailed analysis of attendance / stadium trends is provided in Annex 6).
- 5.7 The minimum requirement for a shared stadium would be 5,000 capacity with 2,000 seats. However, considering the potential support base of York and the wider region, and the potential for progression to a maximum of Tier 2 (the Championship) for the football team and the Super League for the rugby team consideration should be given to a stadium that has the potential to be extended / developed to have a maximum capacity of around 12,000.
- 5.8 Any new stadium would require investment in high quality hospitality and functioning facilities to support the core uses. These will be used for match-

day and non match-day use. There is a good demand for executive boxes and associated top-end entertainment as part of the development.

Community Uses

- 5.9 There is a significant need / demand for a community focused facility in the city. There are a wide range of community sports, education and health uses that a new stadium could meet. In particular, these would align with key strategic aims of the Region Development Agency (Yorkshire Forward), the York's Strategic Partnership and Corporate Plan and objectives for the regional health authority / PCT.

Sports

- 5.10 The current athletics facility is the only competition standard track in North Yorkshire. If the athletics track is to be moved, there is a clear need for a county standard track with associated warm up, changing, club and spectator facilities. The degree that this can be incorporated with the wider community stadium is dependent on a number of factors, particularly location and site size. If the stadium was to be developed as a wider sports / well-being hub, it would be the ideal environment for the athletics facilities.
- 5.11 A possible demand for the following community sports facilities has been identified: 3G synthetic pitch, water based or 'tiger turf' synthetic pitch for competition standard hockey, multi-use astro-turf pitches and 5/7-a-side pitches, high quality grass pitches, changing facilities and potential support / ancillary sports recreational uses (dependent on location and other facilities included in the development). Details are included in the community sports audit in the table in Annex 7.
- 5.12 The exact make up and extent of these facilities would need further detailed analysis and discussion with other providers in the city. This would ensure their was a commercially sustainable solution, that did not detrimentally impact existing facilities. This would offer the scope to develop a 'Centre of Excellence' for hockey (a growing sport in the city with no purpose built facilities) that could link in with other sports uses.

Education

- 5.13 There is a clear need for an educational focus to the new stadium. A sports / well-being institute could fulfil a number of educational / teaching / learning roles. It could be a focus for Higher York's achievements and strategically bring together a number of sports and well-being related needs. The educational need assessment set out in Annex 7 identifies a number of key roles an 'Academy of Sport and Well Being' could fulfil:
- Follow successful models at Headingley (Leeds Met) and Hull's KC Stadium (Hull College).
 - Enable a new centre of excellence for 'Learning City' diploma courses focused around health and sport for up to 100 places per annum for new initiates to address needs for 16-19 year old NEETs.

- Provide facilities for and draw on the expertise of academic staff from YSJU, York University and other local education providers who have common interests in community based sport, exercise science, health related subjects and education.
- Support 'Science City' by providing an ideal location for specialist exhibitions, conferences and lectures etc., supporting the growing market of health and sports sciences.

Health and well-being

- 5.14 The PCT and Hospital Trust have identified the need for new and innovative ways of delivering a number of their existing services. Exciting opportunities exist, building on some of the models examined in the comparables chapter, to provide secondary, intermediary and community care facilities as part of a sports / well being hub.
- 5.15 There is also scope for drop-in style centres for new health MOTs and the provision of a hub for interventions of key national health issues such as heart disease, obesity etc. This structure would enable a wide range of community programmes and activities aimed at increasing physical activity, engaging in preventative healthcare and leading healthy lifestyles to be delivered in the stadium, as well as in other satellite venues. For example, the stadium might act as an information point regarding activities promoted throughout York (e.g. cycle/walk for life promotions etc).

Ancillary commercial

- 5.16 Following a market analysis exercise it was evident there is significant potential for the inclusion of a 3* plus to 4*plus hotel / conference facility as part of a community stadium complex in York. Soft market testing has identified a good demand that warrants further investigation.
- 5.17 There was limited demand shown in York for other more traditional supporting leisure uses such as cinemas, casinos, bowling alleys etc. The idea of a music arena was also considered but the competition from the proposed Leeds arena would pose a risk, furthermore it would complicate proposals for the refurbishment of the Barbican. Scope does exist to use the stadium for a large concerts / festivals. The majority of the risk of organising such events can be passed on to professional event companies. This should not be seen as a revenue stream, but a contribution to the wider attraction of the city. Additional capital investment would be required to ensure that the stadium design would cater for such events (in line with examples at Doncaster, Hull and Swansea).

Environmental sustainability

- 5.18 There is a strong case for the stadium to have an environmental sustainability focus and to pursue a more detailed business case on the cost / environmental benefits of developing one of the UK's first Eco-Stadiums. Details supporting this are set out in Annex 4.

- 5.19 Obviously the investment cost for many of these technologies is significant and often outweighs the revenue / carbon savings. Feasibility work would be required to assess the scope, commercial viability and cost. However, it is highly probable that the opportunity exists to attract external funding and sponsorship in pursuing an 'exemplar' project that would promote the city and region. If the stadium was the centre of a community / commercial hub with a wide range of other uses, the case for investment in a range of green technologies would be stronger.
- 5.20 From 2019 commercial buildings will have to be carbon neutral and not reliant on fossil fuels or the national grid. Though the community stadium is anticipated to be built and opened before 2019 it would be an excellent opportunity for York to build the very first Eco Stadium and potentially 'carbon neutral' stadium in the UK.

PART 2 ANALYSIS OF OPTIONS

6.0 OPTIONS APPRAISAL

- 6.1 Part 1 of this report assesses the strategic context and need / demand for a community stadium in York. There is sufficient evidence to suggest there is a strong demand for such a facility. Indeed there is a wide range of potential uses / components that could create an impressive / iconic stadium for the city.
- 6.2 The purpose of this part of the report (PART 2) is to assess the commercial case for such a stadium and assess the financial viability of a short list of options. To create and assess this short list it is important to consider the success criteria agreed by the partners and Executive, these are set out below:
- A stadium for York City and York Knights to meet minimum league requirements.
 - A replacement athletics facility to a minimum of county standards.*
 - A location that maximises opportunity for access for the people of York and its visitors.
 - Maximises community use including sport, education and health / well-being.
 - A commercially sustainable, the project must result in a viable business venture.
 - Is an environmentally sustainable development.
- *£1M of CYC capital to be contributed towards the provision of the athletics facility.
- 6.3 Obviously location is a critical issue, but as discussed in previous reports, it is essential to develop a vision of what the stadium will be, before a serious site selection exercise can begin.

6.4 Before a short list is developed and financial analysis undertaken, a long list of uses or components has been established drawing on the needs / demand assessment and comparator exercise. To enable the financial modelling an assumption has been made that the core stadium specification is based around a 6,000 all seater stadium with good standard of support facilities. This is not intended to be a final recommendation regarding design or capacity of the stadium.

Table 3: Component uses for Long-List

Component	Specifics
Core Stadium	<ul style="list-style-type: none"> ▪ 6,000 seat core stadium (with potential to be extended) ▪ Shared between York City FC / York Knights RLFC ▪ Hospitality / functioning facilities ▪ 15 Executive Boxes ▪ Car Parking / circulation space
Community Sports	<ul style="list-style-type: none"> ▪ County standard Athletics facility (warm-up, changing, club and spectator facilities) ▪ Synthetic sports pitches (1x 3G, 1 x water based, 2x multi-use) ▪ High quality grass pitches (x4)
Other Community	<ul style="list-style-type: none"> ▪ Educational sports / well being institute (2,500sq m) ▪ Health / Clinical Care Centre (2,500sq m) ▪ Potential for other community uses (multi-functional office space as part replacement or in addition to above)
Ancillary Commercial	<ul style="list-style-type: none"> ▪ 120 bed 4* Hotel with extensive conference and leisure facilities. ▪ Multi-purpose sporting, music and conference / exhibition arena.

Note: The options and uses set out in this table are for illustrative purposes only. The components will change as the project develops.

Long list – Facility Mix

6.5 The following ‘long list’ of possible facility options has been developed using the component uses set out in Table 3 above:

Table 4: Long list of options

Option	Description / components
A	Do nothing
B	Shared football and rugby ‘core’ stadium
C	Option B plus limited range of community facilities.
D	Option C plus extensive range of community facilities.
E	Option D but with hotel / conference centre
F	Option E but with a multi-purpose sporting, music & conference / exhibition arena.

6.6 At a strategic level, there are a variety of ‘pros’ and ‘cons’ associated with each of these, when considered against the success criteria for the project. Detailed consideration for each option is set out in the table in Annex 8. However, a summary of the uses not to be further considered is set out below:

- **Option A:** does not resolve the problems faced by the sports clubs in relation to their existing facilities. It is a corporate priority to deliver a community stadium.

- **Option B:** does not appear to meet the ambitions of the council, or the sporting clubs, for the creation of a new community hub for York. The justification for the project and the council's involvement has always been for a 'community stadium'. It would be unlikely that planning permission would be granted for the disposal of Huntington Stadium as the athletics facility would not be relocated. There would be a major funding gap with limited scope to bridge it. In light of this, Option B is also discounted.
- **Option F:** appears undeliverable in terms of potential funding sources (unless the council funds it directly), and would likely face severe competition from the new arena in Leeds. Also the option exists to stage large scale concerts / festivals using the stadium (as is). Because of this, it is suggested that Option F is discounted.

Short List

- 6.7 This leaves a short list of Options C, D and E. However, it is felt that an option with a smaller land take is considered in more detail. Due to the limited range of community benefits provided by Option B, there is a sub-option that should be considered if Huntington Stadium is to be disposed of and the facilities there replaced (a planning requirement). Thus fourth option will be considered, which is a shared core stadium (Option B) plus the contribution of £1M towards the relocation of the athletics track elsewhere in the city (but not as part of the stadium). This would result in a core stadium with a minimal land take.
- 6.8 This provides four options which will now be subjected to more detailed financial analysis (set out below in Table 5). For the sake of clarity, they will be now known as Options 1 (B), 2 (C), 3 (D) & 4 (E). It must be stressed at this stage that these options are concepts based on only initial research, analysis and discussions. There are a variety of sub-options in relation to the types of community and commercial uses which could be included.

Table 5: Final short-listed options

Option	Description / components
1	Shared football and rugby core stadium. £1m contribution towards replacement athletics facility elsewhere in City (but not necessarily as part of the stadium).
2	Option (1) plus community sports facilities including and county standard athletics track and support uses.
3	Option (2) plus extensive range of community facilities (including health / educational uses)
4	Option (3), plus but hotel / conference centre

7.0 FINANCIAL ANALYSIS OF SHORT LISTED OPTIONS

- 7.1 An initial financial analysis of the short listed options has been undertaken in order to provide a high level indication of the potential costs, likely financial impact and risks of each of those short listed options. A bespoke and flexible

financial model has been developed to generate an indication of capital and revenue streams for each option. These are intended for illustrative purposes only, but provide an initial indication of the overall viability of each option. Detailed assumptions and mechanics support rest in the feasibility study.

- 7.2 It should be noted that this is an early stage analysis, in many areas the figures used are best estimates and remain indicative only. The logical next stage of this work; the development of a detailed business case for the most robust and deliverable option, should involve underpinning updated financial assumptions with initial design and master-planning work, site selection, quantity surveyor costings, and heads of terms between the parties involved. A summary of this work is provided below.

Capital Model

- 7.3 These costs are primarily based on the comparator analysis undertaken (detail provided in the tables in Annex 2). No allowance made for taxation, land costs, highways works, other s106 / infrastructure payments and inflation (there are too many unknowns regarding these issues at this early stage). Thus the costs in this exercise will increase.
- 7.4 In previous reports (Executive 8th September 2008) a cost per seat benchmark has been used as an initial indication of the likely cost (£1400 - £2000 per seat). As identified earlier, this is not a safe mechanism. It is important to understand the cost of each component that is included. Therefore the cost has been broken down as follows: A core stadium cost of £1,000 per seat, other costs are added to this: e.g. community sports facilities, car parking, fees, contingency etc. For the sake of comparison this would result in a cost per seat for Option 1 of £1,641, Option 2 of £2,160 and Option 3 of £2,960. The Keepmoat Stadium at Doncaster cost (£2,038).

Table 6: Summary of Capital Costs for Short-listed Options

Cost item £'000	Option 1	Option 2	Option 3	Option 4
Cost of land (no site yet identified)	-	-	-	-
Core stadium build	6,000	6,000	6,000	6,000
Community & training facilities	-	3,250	3,250	3,250
Car parking	750	750	750	750
Athletics track	-	800	800	800
Office space (multi use space only options 2/3)	-	-	4,000	4,000
Hotel (only relevant to option 3)	-	-	-	12,000
Fees & contingency	1,350	2,160	2,960	5,360
Other costs (see text: costs not included at this stage)	-	-	-	-
TOTAL				

	8,100	12,960	17,760	32,160
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Note: The figures in this table are for illustrative purpose only. Figures & costs are based on best estimates as set out in the feasibility study. They will change as the project develops.

Revenue Model

7.5 The revenue model (summarised in Table 7 below) has been developed using a wide range of evidence bases, set out in the feasibility study. These figures have been tested against other operational facilities. As it is too early to determine detailed funding arrangements for each option, for the sake of clarity and a means of fairly assessing the potential financial viability; debt has been used to make up any funding shortfall. All four options assume prudential borrowing over a 17 year period - this is for illustrative purposes only. This is not the proposed means of funding. The funding gap section later looks at options to bridge any resultant shortfall.

7.6 The income assumed for the hotel is based on a mid range 4* 120 bed hotel with extensive conference facilities with a good performance.

Table 7: Estimated annual income and expenditure account

Income	Option 1 (£,000's)	Option 2 (£,000's)	Option 3 (£,000's)	Option 4 (£,000's)
Football match day tickets	607	607	607	607
Rugby match day tickets	237	237	237	237
Other match day income – football	229	229	229	229
Other match day income – rugby	71	71	71	71
Hospitality income – football	106	106	106	106
Hospitality income – rugby	56	56	56	56
Community facility income		200	200	200
Non match day box income	187	187	187	187
Rental income – office space	-	-	600	600
Hotel income	-	-	-	1,800
<i>Sub total</i>	<i>1,494</i>	<i>1,694</i>	<i>2,294</i>	<i>4,094</i>
Costs	Option 1 (£,000's)	Option 2 (£,000's)	Option 3 (£,000's)	Option 4 (£,000's)
Match day costs – football	122	122	122	122
Match day costs – rugby	71	71	71	71
Stadium running costs	335	535	535	535
Debt repayment	-	344	756	1,735
Net non match day costs – York City FC	850	850	850	850
Net non match day costs – York City Knights	70	70	70	70
<i>Sub total</i>	<i>1,448</i>	<i>1,992</i>	<i>2,404</i>	<i>3,640</i>
Estimated annual surplus / (deficit)	47	(297)	(109)	455

Note: The figures in this table are for illustrative purpose only. They are based on assumptions / evidence bases set out in the feasibility study. Figures / costs etc will change as the project develops.

Risk and sensitivity analysis

7.7 As noted above, the financial models are dependent on a number of key assumptions and best estimates (set out in the feasibility study). In order to illustrate the risk and sensitivity attached to each of above forecast annual income and expenditure statements, a number of alternative scenarios have been modelled. These are not intended to be exhaustive, but provide an initial indication of the potential robustness of the options if some of the key assumptions change. Table 8 below summarises these scenarios. Each line is considered in isolation, i.e. the figures are not cumulative. However, it is possible than more than one scenario could occur – thus making the position worse. It should be noted that the baseline (row 1) includes assumptions that attendances will increase significantly (and all associated income streams). Row 2 represents an illustration of existing attendance figures at a new stadium.

Table 8: Sensitivity analysis

Scenario Surplus / (Deficit)	Option 1 £'000	Option 2 £'000	Option 3 £'000	Option 4 £'000
Baseline (as in bottom line of table7 above)	47	(297)	(109)	455
Current attendance levels (attendances do not increase with new stadium operational)	(466)	(713)	(525)	38
Only 20% rise in attendance levels	(535)	(348)	(216)	216
Debt repaid over 10 years (based on 17yr repayment in baseline)	(96)	(460)	(469)	(495)
£nil income on community sports facilities	(56)	(494)	(306)	258
20% reduction in hotel income (Option 3 affected only)	(46)	(297)	(109)	98
20% increase in stadium running costs	(113)	(401)	(213)	351
25% increase in net non match-day costs	(276)	(524)	(336)	228
£3M additional capital contribution (baseline)	47	(41)	147	711

Note: The figures in this table are for illustrative purpose only. Each line provides a potential scenario that will affect each option in a different way. Figures / revenue estimations will change as the project develops.

7.8 The analysis illustrates how vulnerable each option is to fluctuations in performance of key income streams and costs. Obviously the impact of each of the individual scenarios (rows in the table) has a different impact on each option. This is demonstrated in row two – current attendance levels. The impact is severe on all options, but option 4 has a more diverse revenue base and thus manages to remain in surplus. The current attendance line is an important marker as there is a risk that the assumptions made regarding increases in attendance will not be fully achieved, thus there is a risk it may be the baseline. That would make option 1-3 unviable.

- 7.9 With regards to funding, a council capital contribution of £4M is assumed, plus £5M of other contributions. Issues relating to funding and the scope for accessing external funds is covered later. However, row 2 considers the impact of £3M additional capital funding being raised. This has a dramatic positive impact on the commercial viability of options 2, 3 and 4. As option 1 only has a small funding shortfall, there is only a minor impact, as with option.
- 7.10 It is clear from the analysis that options 1,2 and 3 struggle to maintain financial sustainability. There is a high risk they would make an operational loss. Analysis undertaken in the comparator section confirms that stadiums with limited income generation streams, have often failed to maintain viability and councils in those areas have been asked for additional contributions and on-going revenue support. However, with its stronger commercial focus, Option 4 is more robust, but has a significantly higher capital cost. Although option 1 has the lowest capital cost, it does carry a high risk of making a significant revenue loss.

Sources of funding

- 7.11 At this early stage of the project and in particular due to the economic climate, it is very difficult to accurately estimate the capital funding that will be available. Funding from the Football Foundation (FF) is subject to the approval of an application which must be made prior to May 2012. This is an agreement between the FF and York City FC and is subject to a complex loan agreement. York City FC have pledged to make an additional contribution, which they estimate to be in the region of £3M. It is too early to assess the robustness of this figure.
- 7.12 Disposals will be subject planning policies, debt payments, S106 contributions etc. The property market is currently in a slump, and many developers will not even consider bidding for sites that would have been considered highly attractive two years ago. To this end no detailed valuation has been undertaken of either existing stadiums. Furthermore, the situation is likely to change and the disposals would probably take place in years not months.

Table 9: Potential sources of capital funding

Source of funding	Estimated amount £'000	Source / comments
City of York Council capital budget	4,000	<i>CYC capital programme. Based on disposal of Huntington Stadium</i>
York City FC Contribution	3,000	<i>Discussion with football club</i>
Football Foundation Grant to YCFC (Existing loan to be converted grant subject to approval)	2,000	<i>Discussions with football club & Football Foundation</i>
Total	9,000	

Note: The figures in this table are for illustrative purpose only. Figures and values are based on best estimates and discussions with potential partners. These have a high risk attached to them – particularly in light of the economic climate.

8.0 FINANCIAL / VIABILITY GAP ANALYSIS

8.1 Due to the nature of the economy and numerous other factors (some outlined above) which are difficult to anticipate, the extent of any funding gap is speculative. However, for high level feasibility purposes, a capital contribution of £9M has been assumed. Consideration is now given to how and to what extent the funding gap may be reduced.

Table 10: Viability Gap

Option	Estimated cost (£' m)	Estimated funding availability (£' m)	Estimated viability gap (£' m)
Option 1	8.1	8.0*	0.1
Option 2	13.0	9.0	4.0
Option 3	17.8	9.0	8.8
Option 4	32.2	9.0	23.2

Note: The figures in this table are for illustrative purpose only. Funding estimates are best estimates for this early stage. The table is intended to give an indication of the viability gap of each option.

* An additional £1M will be contributed towards the provision of a replacement athletics facility. The total Council contribution will be £4M

8.2 The financial model uses prudential borrowing (over 17 years) as a means of funding any shortfall, to illustrate clearly the commercial viability of each option. This is not the proposed means of funding. The key objective is to develop a model that is commercially sustainable whilst having a 'community' focus. It is essential any chosen option can exist notwithstanding the fluctuations of performance of the sporting partners. There is a relationship between the wider impact of each option (how they contribute to the strategic objectives of the city / region), their commercial viability, the funding gap and the likelihood of them successfully attracting external funds and / or enabling development. The greater the community outputs and contribution to strategic aims, the more chance of accessing external funds.

8.3 Obviously if the funding gap can be reduced, the more scope there is to generate profit, resulting in a more commercially robust model. A number of options exist to reduce the capital funding gap. However, the possibility of accessing such funds will differ from option to option. More detailed work is required as part of the next stage of the project to assess the potential for funding streams, engage with relevant funding agencies and market test commercial opportunities. A short summary of the analysis undertaken is provided below:

Cross subsidy / enabling development

8.4 The principle of using value from commercial development to cross-subsidise a community facility is commonplace. In many cases, development that would not normally be permitted, has been approved as part of a wider

scheme to enable it. This has been the case with a number of stadiums in the UK, more recently particularly those with a 'community' focus.

- 8.5 Offices, residential and in particular retail development have all formed parts of schemes to assist the funding of community stadiums. Food retail is very popular as it has a high yield and can maintain a good operational relationship with a stadium. Warrington, Southend and Chesterfield are all examples of major retail development where special circumstances have been demonstrated as part of sequential planning test.
- 8.6 A detailed analysis of the potential for enabling development to support a community stadium project in York has been undertaken as part of the feasibility. In brief the findings are as follows:

Offices: The market is in a slump at the moment and there is a large number of empty sites / buildings across the city. Rents of approximately £10 to £16 per foot can be achieved, but it is unlikely that a major office development would be an appropriate use to support a stadium (however this is obviously very dependent on location). It is more likely that scope exists for smaller / incubation units / public sector uses that are ancillary to the stadium (as covered in the ancillary commercial uses section earlier in this report).

Retail: Food retail has high land values. There is limited scope for a major retail enabling development based on the study undertaken by Grimleys for CYC. Any gaps in provision are encouraged to be in more central locations. Although demand will grow in the future, it is likely that very special circumstances would need to be demonstrated if to support a community stadium development (particular if out-of-town). It is believed that values of up to £27.5M have been paid for large supermarket sites in the City.

Residential: A number of developments have been supported by residential development, often as larger stadium complex developments. A major capital receipt was achieved as part of Oxford United's new stadium. Again, these would be very site specific as residential amenity / provision of local services are very important. There is a clear housing need in York. Furthermore, proposals for an urban extension to the city, may offer potential to encompass a stadium as part of the community facilities.

External Funding / sponsorship

- 8.7 The policy framework was considered earlier in the report. Agencies such as Yorkshire Forward and Sport England will only have interest in making contributions to the project where there is a clear and direct benefit to strategic objectives. Consideration is given to the wider impact of the options in the next section of this report. Table 11 (in the next section) illustrates the potential economic impact. Annex 1 provides a summary of the project's potential outputs and their alignment with key policies. In all cases Option 1 would likely have little chance of acting external funds or commercial interest. It is predominantly a commercial sports stadium the scope for some

community use. The other options offer more scope, however, this would be subject to further feasibility work and discussion with relevant agencies.

Regional Development Agency – Yorkshire Forward

- 8.8 In the case of Yorkshire Forward this relates to the RES and 3 cross cutting themes. If summary tables 11 (below) and Annex 1 are considered, Option 3 and in particular Option 4 could make significant regional impact. Furthermore, if the option to exploit the green technologies and strive to make this an environmentally sustainable hub, the appetite of the RDA to become involved with the project will certainly increase.

Sport England – Community Investment Fund

- 8.9 With regards to Sport England, the multi-agency approach, focus on a centre of sport, well-being and education aligns closely with the recent guidance set out in their Developing Sustainable Community Facilities Toolkit. Funding could be sought towards the community sports facilities, however, the links with health / well-being and education would deliver more strategic outputs, adopting a multi-agency approach. Thus it is likely that options 3/4 may offer a stronger case for funding. Efforts to incorporate a Centre of Excellence for hockey may also strengthen the case.

Big Lottery

- 8.10 There are a number of initiatives that the stadium project might be aligned with. In particular the Reaching Communities programme contributes to projects which demonstrate:

- People having better chances in life, including being able to get better access to training and development to improve their life skills.
- Strong communities, with more active citizens, working together to tackle their problems.
- Improved rural and urban environments, which communities are better able to access and enjoy.
- Healthier and more active people and communities.

- 8.11 In summary there is a strong case to open discussions the relevant external funding bodies, particularly if a multi-agency approach is considered which might incorporate an environmentally sustainable development of regional significance.

Additional public sector contributions

- 8.12 Where wider community benefits can be demonstrated there will be a case to seek S106 and infrastructure levy contributions. These are very much dependent on the location of the development and pressure from other potential beneficiaries.

Procurement / development approach

- 8.13 Commercial development partnerships and Public Private Partnerships (PPPs / PFIs) are ways in which funding gaps can be reduced as part of a

major development agreement. Leigh Sports Village was delivered through a partnership with a developer. As part of a complex development agreement, a new stadium was built 'upfront' with the developer bearing the risk of all the commercial elements. This is generally only feasible if there is significant commercial value in the overall scheme, or a unitary charge (revenue payment) is made as a long-term financial commitment (often in return for a fully managed / maintained facility).

- 8.14 There appears to be scope to further develop this approach particularly with option 4. The opportunity to transfer risk and reduce the capital contribution required (from the council) may offer a route to deliver the more ambitious and expensive options identified but at no additional cost or risk to the council and its partners.

9.0 ECONOMIC AND SOCIAL IMPACT

9.1 As a community-based project, it is hoped that the proposed stadium will have a positive impact which will benefit local people, businesses and visitors, as well as potentially the wider regional economy. As many aspects of the project still need to be determined (including the actual facility mix and levels of investment, etc.), this can only be regarded as an initial view of the possible benefits that the potential options could generate. This is important as it demonstrates the council is fulfilling its role as a community enabler, but also heightens the chance of accessing external funds. The strategic, economic and tourism benefits which would be created by this overall project include the following:

- Increase community involvement and build a sense of pride.
- Directly created jobs that support the local and wider economy.
- Direct and indirect jobs associated with support functions of the stadium. There would be significant construction related work, that would also offer educational potential for the city's colleges.
- Wider positive economic impact, from conferences, hotel visits, visiting fans, concerts etc.
- Increases York's visitor attraction and diversity.
- The project could become a national benchmark for sustainable development and in particular be the country's first fully Eco-Stadium. This would bring positive publicity to the city / region and sponsorship opportunities.
- Improve opportunities of skills training in specialist fields, particularly making the links between well-being, sport and education. The option for an Institute for Sports and Well-Being would make a positive educational contribution to the city.

- Funded wholly or partly by the public sector, it would address an identified market failure, as the financial returns generated by community projects such as this are typically insufficient to attract significant levels of private sector investment.

9.2 In conclusion this project has the potential to make a significant impact on the objectives of the Corporate Strategy, the Regional Economic Strategy and the city Strategic Partnership.

9.3 Table 11 below summarises the initial economic impact assessment undertaken. It must be stressed that this is a preliminary assessment. Some of the jobs created will be 'displaced' particularly those associated with the relocation of health provision from elsewhere in the City. A more detailed assessment will be undertaken as the project progresses as part of the detailed feasibility work.

Table 11: Illustrative initial economic impact assessment on all Options

Item	Option 1	Option 2	Option 3	Option 4
GROSS DIRECT EFFECTS (£ million)	4.00	4.25	4.50	10.70
(less leakage) (£ million)	3.80	4.04	4.28	10.17
(less deadweight) (£ million)	3.80	4.04	4.28	10.17
(less displacement / substitution) (£ million)	2.85	3.03	3.21	7.62
Plus multiplier (£ million)	4.28	4.54	4.81	11.44
TOTAL NET ADDITIONAL EFFECTS (£ million)	4.28	4.54	4.81	11.44
Direct employment	45	55	555	651
Indirect employment	60	64	67	160
TOTAL FULL-TIME EQUIVALENT JOBS CREATED / SUPPORTED	105	119	622	811

Note: The figures in this table are for illustrative purpose only, to provide an indicator of the potential impact each option in its current form may be capable of achieving.

Areas of strategic alignment with public sector strategy and policy

9.4 An in-depth analysis was undertaken of the policy framework and strategic alignment with external funding bodies earlier in this report (summary provided in the table in Annex 1).

9.5 Consideration is also given to the objectives of the city Strategic Partnership and the council's Corporate Strategy 2009 – 2012. As already mentioned the project is identified as a corporate priority under the Cultural City theme. However, Table 12 below attempts to provide an initial indication of the impact or contribution the three different options will have on the aims, objectives and general purpose of the seven themes.

9.6 The scores range from 0-5, 5 representing an excellent contribution to the aims and objective of the theme, 3 making a good contribution and 1 making

a minor contribution. This table is only used as high level guide, but gives a feel for the potential impact each option could make.

Table 12: Contribution options make to aims of Corporate Strategy & Strategic Partnership

Corporate Strategy Theme	Option 1	Option 2	Option 3	Option 4
Thriving City	1	1	3	5
Inclusive City	0	1	2	2
Sustainable City	2	2	3	5
City of Culture	1	2	3	4
Safer City	1	2	2	2
Healthy City	2	3	5	5
Learning City	0	1	4	4
Total (Maximum score 35)	7	12	22	27

Note: The figures in this table are for illustrative purpose only, to provide an indication of the potential impact each option in its current form is capable of achieving.

9.7 It is not often that the council considers a project that has such a wide ranging impact and contribution to the different strands of the Strategic Partnership and Corporate Strategy. The council could act as an enabler to drive forward a project that has significant impact at many levels across the city at a time when confidence is low.

9.8 There is scope to develop a proposal that makes a significant social and economic impact. At a regional level the contribution to, and alignment with, Yorkshire Forward's RES and the three 'cross cutting themes' could be considerable, particularly if the option to consider an Eco-Stadium is pursued.

10.0 Planning Considerations

10.1 A review of planning issues relevant to this stage of the project has been undertaken, this is set out in Annex 9. The key planning issues that have been identified are: the need to adopt a sequential approach to site selection; the need for good access by public transport; and the need to safeguard the historic character and environmental capacity of the city. The stadium should preferably be taken forward through the emerging Local Development Framework and the preferred site evaluated in terms of these key planning issues in the context of the wider spatial strategy for the next 20 years. When a site/alternative sites have been identified, these can be incorporated into the LDF Allocations Preferred Options document and subject to public consultation in Autumn 2009.

10.2 A methodology has been developed to search for the most appropriate location for the stadium. This process is dependant on the preferred model for the stadium. The methodology for identifying areas of York potentially suitable for the stadium follows a 'sieving' approach of removing areas of constraint. The primary constraints are the areas of highest green belt quality (from the Green Belt Review, 2003), nature conservation sites, the functional flood plain and public transport accessibility. Potential sites can then be

identified in these areas and a scorecard approach can then assess the quality of each site against a series of constraints. The methodology will also assess the appropriateness of the enabling / ancillary component of the business model for each site against the LDF Evidence Base.

11.0 Risk

- 11.1 There are a significant number of risks associated with this project due to the high level nature of the work undertaken so far. The purpose of this exercise is to identify whether there is a need for the project and if so, provide some options for what might be included, identify the potential costs, benefits and risks. This report has achieved that aim. This report is not intended to provide a means of mitigating any of the key risk, but to identify them and recommend further work be undertaken through a detailed feasibility study to develop options that will minimise the risks, and provide a robust, sustainable and deliverable option. The key risks at this stage are as follows:
- 11.2 **Financial:** The figures, costs and values used in this report are only intended for illustrative purposes to provide an idea of the potential capital and revenue costs of the options. As stated throughout the report they are based on assumptions and evidence set out in the feasibility study undertaken by Five Lines Consulting and other key documents / reports. These figures will change as the project progress. The sensitivity analysis set out above deals with some issues regarding revenue streams.
- 11.3 **Funding:** The figures and values identified as capital contributions are based on best estimates. Where partner contributions are mentioned – these are based on discussions with the relevant bodies, no formal due diligence has been undertaken. Disposal values are currently difficult to estimate due to market conditions. As the project progress more detailed planning briefs will be prepared to inform valuations.
- 11.4 The scope exists to open discussions with external funding agencies. The mechanisms / amounts available will totally reliant on the specific nature of the options pursued and the contribution they make to relevant objectives. Any reliance on external funds has a high risk associated with it.
- 11.5 **Planning:** This is an early stage in the project. Issues relating to site selection, enabling development, planning permissions, disposals and S106 / other development contributions etc will emerge as the project develops. This will become a major workstream as part of the next key stage. Planning will remain a high risk for the funding and delivery of this project.
- 11.6 **Partnerships:** Many of the concepts that make up the options are based on high-level and initial discussions with potential partners. There is a significant risk that as the project progresses the position of these bodies may change. This will impact on the nature and make-up of the options. As the next stage of the project begins, detailed discussions will need to begin with all potential partners and heads of terms / memorandums of understanding should be prepared to firm-up potential opportunities.

- 11.7 **Legal:** There are numerous issues and risks that affect the council, its role and powers. Detailed consideration needs to be given to this, as the project progresses. In particular, the issue regarding overall responsibility if revenue targets / commercial performance is not achieved must be considered and addressed.

12.0 CORPORATE CONSIDERATIONS

Financial Implications

- 12.1 The funding of £100k required to further develop this scheme is outside the current budget framework approved by Council on the 26th February. Approval to commit expenditure beyond this framework can only be given by Council and would need to be funded by General Reserves unless it can be contained within existing budgets.

Legal

- 12.2 At this stage there are no significant legal implications associated with this report. Legal advice will be provided to officers as the project develops, and detailed legal implications will be included in the report to the Executive on the detailed business case.
- 12.3 Under Section 2 of the Local Government Act 2000 the Council has the power to do anything which it considers is likely to achieve the promotion or improvement of the economic, environmental or social well-being of its area. This is a wide ranging power and can cover financial assistance to organisations.
- 12.4 Section 3 of the Local Authorities (Land) Act 1963 also gives local authorities the power to advance money to any person for the purpose of enabling him to acquire land, erect buildings, or carry-out work on land, provided this is for the benefit or improvement of the area.
- 12.5 In situations where a public authority provides financial support for a private body, this will potentially constitute state aid under Article 87 of the EC Treaty and may be unlawful. However, certain exemptions apply, such as the "de minimis" exemption, which provides that aid below £158,000 over a three year rolling period would not be considered as state aid.
- 12.5 Detail legal advice will be provided to Officers as the project develops.

Property

- 12.6 Before potential sites are identified and considered the scope of the proposed stadium development needs to be agreed so that potential sites can then be assessed against these criteria, the most important of which will be - size and layout of site, proximity to public transport and access links, planning issues, legal title on the land to be used, suitability of the site to meet the requirements. This process should be carried out in liaison with the Corporate Landlord through the Corporate Asset Management Group and

should link to the Service and Area Asset Management Programme currently being undertaken.

- 12.7 Before a value can be placed for the disposal of the Huntingdon Stadium site there needs to be an assessment of legal title, consideration of suitable uses in accordance with a planning brief, review of Council and partner service needs which could be met on this site and a view of the current and future market conditions

Human Resources – There are no implications.

Crime and Disorder – There are no implications

Information Technology – There are no implications

13.0 CONCLUSION

- 13.1 The Outline Business Case demonstrates that there is scope to deliver a community stadium in York. Table 13 below summarises the key costs and benefits each for each option. The analysis is based on high level indicative data. However, there is sufficient evidence to show that an option could be developed that is deliverable and commercially robust. This is an early stage in the feasibility process and many of the potential partnerships need further investigation. The financial and economic assumptions need more robust and detailed assessment. Potential funding streams need further exploration.

Table 13: Summary of costs and benefits

	Option 1	Option 2	Option 3	Option 4
Capital Costs (£ 000s)	8,100	12,960	17,760	32,160
Capital available (£ 000s)	8,000*	9,000	9,000	9,000
Commercial Investment / External Funding Required (£ 000s)	100	3,960	8,760	23,160
Revenue Surplus / (Deficit) £ 000s Baseline before risk / sensitivity analysis	47	(297)	(109)	455
Jobs created / supported	105	119	622	811
Economic value (£ 000's)	4,280	4,540	4,810	11,440
Strategic contribution (scale 0 – 35)	7	12	22	27

Note: The figures in this table are for illustrative purpose only. Figures / costs / values and outputs will change as the project develops.

* £1M additional contribution towards athletics facilities elsewhere. Total Council Contribution £4M.

- 13.2 A prudent approach is recommended in developing a preferred option. No final commitment is required at this stage. Detailed feasibility should be undertaken in a way that examines the scope for delivering an affordable option that provides a wide range of community benefits, limiting the risk to the council. The scope to maximise commercial viability should be further explored. Thus a full business case will be developed for the most robust and deliverable option as it emerges.

Next Steps & Project Management Costs

13.3 To develop a full business case, detailed feasibility work will be need to be undertaken. This will involve in-depth analysis and the use of specialist resources. There will be a number of strands to the work that will involve dedicated external resources, these are as follows:

- Site selection and development of the planning case.
- Formalisation of partnerships and potential management / governance arrangements.
- Preparation of a detailed economic assessment.
- Master planning & architectural schematics.
- Detailed feasibility, cost and funding options.
- An environmental sustainability feasibility study.
- A detailed risk assessment.

13.4 If the site selection process and development of the project is to continue to align with the LDF process, a great deal of this work will need to take place before the end of the year (December 2009). The council do not have the resources to deliver this from the existing project resources. A budget of £200K was established for initial project management costs. Approximately £125K has been committed (up to the end of this financial year).

13.5 A project costing exercise has been undertaken (summarised in Annex 10). It is estimated that (in addition to the £125K committed) the total feasibility and project management costs to take the project to the next key and final feasibility stage (April / July 2010) will be £175K (£300K in total). This will represent an additional £100K to the budget already identified.

RECOMMENDATIONS

1. Note the findings of this report and pursue the project to the next key stage. To undertake a detailed feasibility study that will develop a full business case for a robust and deliverable community stadium in York. To report back to this Executive in two key stages a) findings from site selection and initial feasibility (November 2009 to align with LDF process) b) between April – July 2010 for the final findings.
2. That the Executive recommend to Council to agree the approach set out and allocate £100k from General Reserves in 2009/10 to provide funds for the delivery of this work. This will include specialist external advice to ensure this work is delivered within the next 12 months.
3. That the following strands of work are undertaken as part of the feasibility study to enable the development of a business case for a preferred option:

- Confirm the specific requirements of York City, York City Knights and the Athletics Club. This could be formalised in some form a Memorandum of Understanding in relation to potential capital contributions, governance, operating arrangements, and facility usage.
- Pursue detailed discussions / negotiations with relevant educational and health sector partners to exhaust options for a well-being / educational hub. Exhaust the opportunities for other public sector stakeholders / partners and develop a business plan / development plan of how the uses could effectively co-habit a community stadium.
- Undertake a detailed financial and economic assessment. Initiate discussions with potential funding agencies. Undertake a detailed examination of development / procurement options as part of the wider financial appraisal.
- Initiate the site selection process for a preferred site or sites and begin the preparation of a high-level planning case. Examine the scope for enabling development linked to the funding / financial appraisal.
- Undertake master-planning / design work to assist the site selection process, identify land take requirements. Provide schematics to enable the feasibility work and specific stadium / partner requirements.
- Develop a high level business case of developing an eco-stadium that maximises the potential of environmental sustainability and green energy sources / technologies. This will cover a range of options, benefits, capital / revenue costs / savings, CO2 savings and funding potential.
- Identify officer for key corporate disciplines (in particular finance, legal, property, leisure and planning) who will work as part of an internal team to support the feasibility work and ensure the interests of the council are secured at all stages as the project proceeds.

Contact Details

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Report Approved

Date 12/6/09

Specialist Implications Officer(s) :

None

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

- Community Stadium Report to Staffing and Urgency Committee 21st May 2008
- Staffing and Urgency Committee Minutes 21st May 2008
- Deloitte report on community stadium for CYC 20th June 2008
- Active York's Sport and Leisure Strategy
- Executive Report 15th July 2008
- Executive Report 9th September 2008
- Executive Report 20th January 2009
- Executive Report 28th April 2009