

Summary of Objection

Although it is noted that the planning application, submitted by Alliance Leisure, on behalf of West Berkshire Council for the Sports Hub at Newbury Rugby Club (NRF) does not specifically state that the Sports Hub is intended as a replacement for the existing football ground at Faraday Road, WBC have stated publicly that it considers this is indeed intended to be a replacement.

After a detailed review and evaluation and following meetings with Sport England, the FA and the Football Foundation, with regret NCFG cannot support this proposal as a replacement for the existing Newbury Football Ground at Faraday Road.

Furthermore, given the excessive costs, the loss-making business case, the priority (and exclusive financial inducements / free use) given to rugby-club use and the overall design, NCFG also object to the planning application as a standalone 3G football pitch and as such formally object to Planning Application **21/02173/COMIND**.

West Berks Submitted Income and Expenditure Business Case	
Annual Income	£90,420
Annual Expenditure	(£181,817)
Annual Net	(£91,397)
Net over 40 years	(£3,655,880)
West Berks Submitted Business Case with missing items & sinking fund	
Annual Income	£90,420
Annual Expenditure	(£181,817)
Sinking Fund	(£33,000)
Missing items / under-estimates	(£30,000)
Annual Net	(£154,397)
Net over 40 years	(£6,175,880)

The submitted business case (excluding the capital costs of ~£3m) forecast an annual loss of £91k each year, which will be paid for as “revenue support” by West Berks Council - £3.65m over the 40 year lease.

When the feedback from Sport England about missing costs (sinking fund) and under-estimates of running costs are taken into account, the loss increases to £154k a year - £6.1m for the duration of the lease.

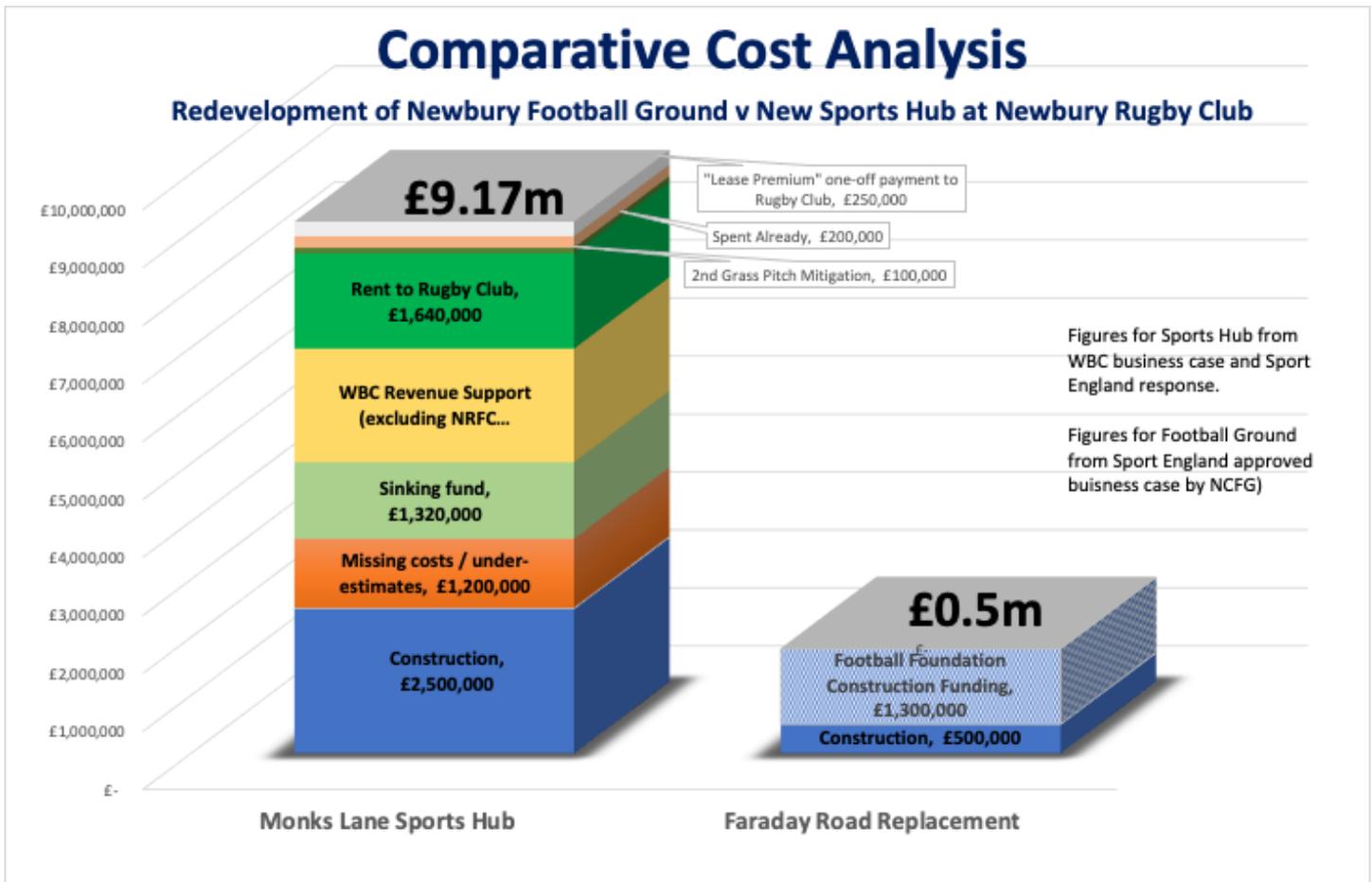
For the avoidance of doubt, on 24th September 2021, West Berkshire Council confirmed that the Faraday Road Football Ground has “*Lawful use of land as a football ground under use Class F2 of the Use Classes Order (Amendment 2020)*” and on 19th September formally listed the Faraday Road Football Ground as *Asset of Community Value* for a further 5 years.

Our objection centres around 3 key areas:

- 1) **Business Case** - It is based on an unsustainable and massive loss-making business case that puts an enormous and unnecessary burden on the local council tax payer. After an initial capital spend of over £3 Million the submitted business case shows an annual running cost (or as it is called WBC Revenue Support) of £90k a year (£3.6 Million) for the length of the 40-year lease. But when we take into account the feedback from Sport England, we need to add in the annual sinking funding (currently omitted from the business plan) and increased and / or missing costs which would bring the net loss up to (and probably over) £154k a year (over £6.1 Million for the length of a 40 years)

This proposal is clearly not financially sustainable without massive annual tax-payer subsidies and a total project expenditure of over £9m (at today’s rate). In contrast a redevelopment of the existing football ground requires no subsidy and has a total Council expenditure of just £500k. Again, by contrast our proposal and business case for Faraday

Road (which has been reviewed and is supported by Sport England, the FA and Football Foundation) is fully self-sustaining and will provide WBC with an **annual income** and estimated ROI of 3%



The key differences between the two schemes are:

The Sports Hub proposal is based on high upfront costs and an operating model that is based on a third-party external management organisation that has high ongoing costs that will need an ongoing subsidy from the Council to bridge the gap between these high costs and a much-reduced income stream primarily due to free of charge and discounted slots already pre agreed with the rugby club. The land is not owned by the Council but the commercial risks sit with Council and not the operator or leaseholder.

The Faraday Road proposal is based on a low upfront capital requirement from West Berks Council as substantial external grants can and will be secured. The facility will be run by (a not for profit) community group or sports club for the benefit of the football community. This will involve a significant volunteer element that will keep costs low and ensure that the wellbeing and interests of the WHOLE football community is the only guiding principle.

The business plan shows a surplus that will be 100% reinvested in the facility and teams that use it. Responsibility for both revenue and all ongoing costs (including sinking fund) will be

with facilities operator. In addition, West Berkshire Council will receive an annual income and see a return on investment and a significant increase in the land value at the football ground. Minimal commercial risk to WBC. West Berks Council will still own the land, they will be the lessor not the lessee and all assets will revert back to the Council at the end of the lease.

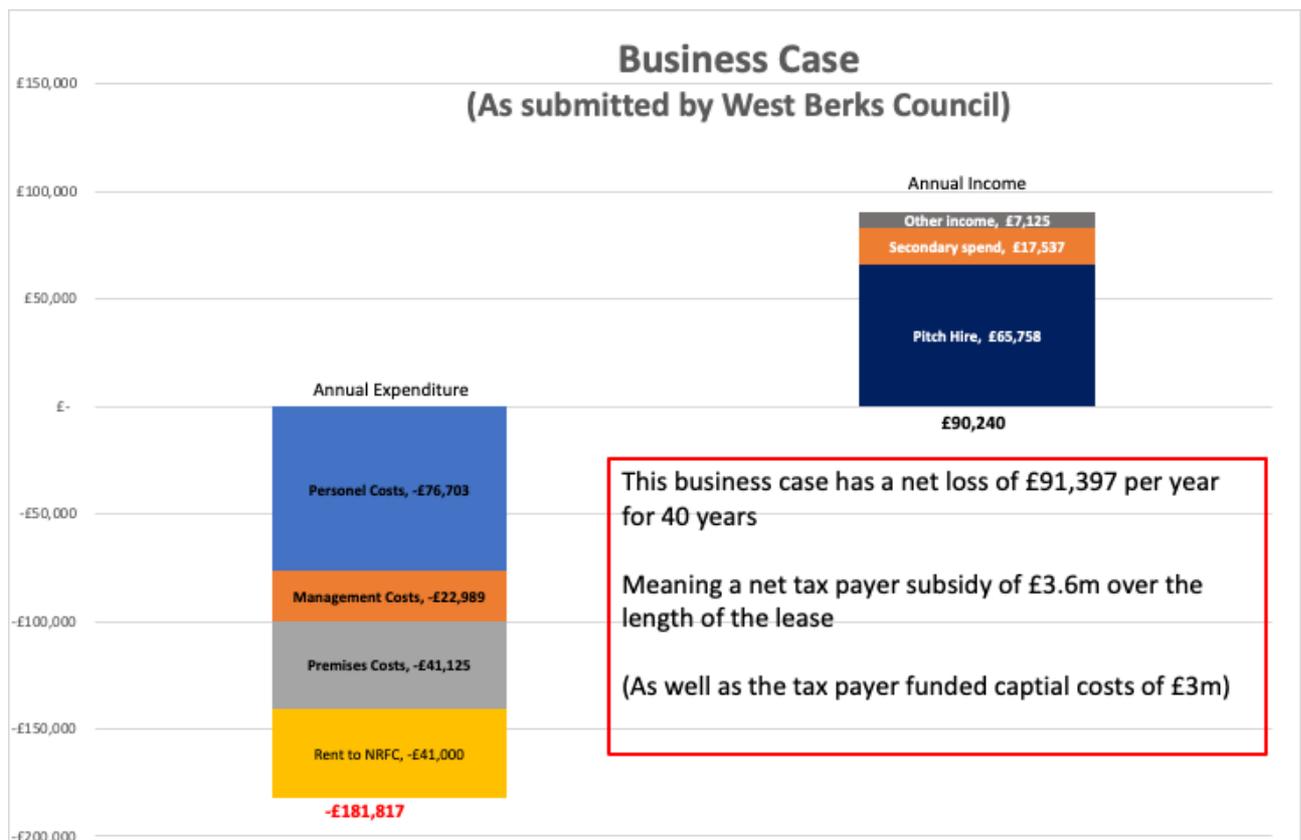
- 2) **It is not a football facility**, it's being billed as a Sports Hub, not a football ground. It prioritises rugby use over football as well as providing free use and discounted rates for rugby but not football! Rugby usage has first and exclusive choice of the prime slots, which includes Sunday mornings. The site is too small (jammed in) and it is definitely not a replacement for the Faraday Road Football Ground.

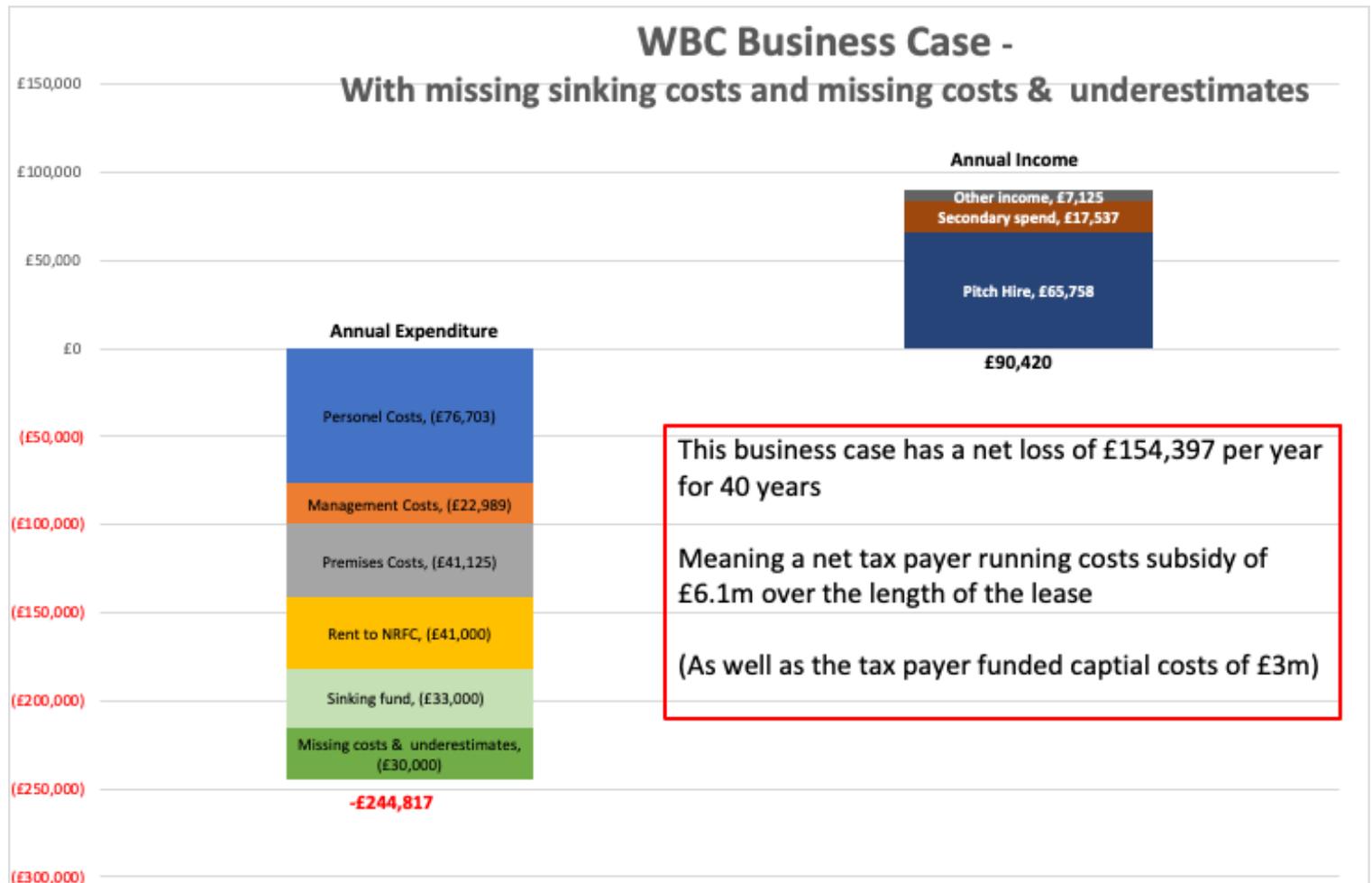
- 3) **It creates an immediate cap on football league progression**, meaning the ambitions and aspirations of men's and ladies' teams in Newbury and the wider football community could be curtailed within a few seasons of the Sports Hub opening. This would not allow teams to compete and play in the same league as Hungerford Town FC and other local teams do today. This limit / restriction does not exist at the current Faraday Road Football Ground. Why would you knowingly invest millions of pounds in a scheme that you know is not fit for purpose and is not scalable?

Business Case

As can be seen in the 2 charts, both the submitted Business Case and the amended one (which incorporates feedback from Sport England, subsequent updates from the WBC consultants and the RFU) shows the proposals to be hugely loss making and a massive overhead to the local tax-payer for 40 years.

The as-submitted income and expenditure business case shows an annual loss of £91,397 and the amended business case with feedback on missing items for Sport England has an annual loss of £154,397.





Capital Costs

No detail has been provided in the business case with respect to predicted capital costs associated with the project, although there is reference (and a line in the business case spreadsheet) to a sinking fund, that will be covered from the capital programme but with no figure associated with it. Following calls with Council officers it was estimated that £2.5 Million would be required to build the 3G pitch, car park and pavilion but caution regarding this number was expressed due to rampant construction inflation that is currently taking place which is very likely to push this figure up. The Council officers also explained that Alliance Leisure have requested firm tenders for the construction costs that should be received in October 2021.

A sinking fund is required for all types of sports facilities but it is especially important for 3G pitches, as they need to be replaced every 5-6 years. WBC originally have estimated £25k a year, but excluded it from the business case by putting it in the un-disclosed Capital Costs budget.

WBC originally allocated a sinking fund of £25k annum for the lifetime of the lease. However, in light of recent inflationary costs and future uncertainties, WBC consultants have stated that this figure may need to rise to £33k per annum. This figure was not included in the business case but we have used the £33k figure in this modelling. The important aspect though, is that this cost is an operational and standard running cost that should have been factored into the business case. This

will add a further £1.3 Million in costs that needs to be funded by the tax payer over the period of the lease.

There is also a £250k “Lease Premium” payable to Newbury Rugby club at the beginning of the lease. It is not specified what this is for or why it is a Capital Cost. It seems to be a “donation”, which given the disproportionately high rent being paid seems another un-necessary tax -payer burden.

There is no profit expectation / figure for the management company to run the facility, only £22k of management running costs have been included and just £76k for staffing costs. WBC simply state “Leisure operators will be required to submit their staffing proposals within the context of their business plans.

Ongoing Income and Expenditure

Income

Without the £90k “WBC Revenue Support” the actual estimated income for the Sports Hub is just over £90K.

Income	
Pitch Hire	£65,758
Secondary spend	£17,537
Other income	£7,125
	£90,420

Expenditure

The predicted / estimated revenue expenditure on the business case is just under £182k:

Personnel Costs	
Management & Admin Staff	-£25,000
Leisure Assistants	-£28,458
Support Staff	-£4,650
On-costs	-£17,432
Other Staff Costs	-£1,162
	-£76,703

Management Costs	
Advertising & Marketing	-£7,217
Insurances	-£2,868
Printing Post & Stationery	-£902
Telephones and IT	-£1,353
Other Admin (Banking etc.)	-£2,706
Misc. Costs & Sundry Items	-£1,804
Cost of Sales	-£6,138
	-£22,989

Premises Costs	
Utilities – Gas	-£1,935
Utilities – Electricity	-£8,644
Utilities – Water	-£1,548

Annual Repairs & Maint.	-£21,424
Sinking Fund	£0
Cleaning Materials/Equip	-£774
Refuse Collections	-£2,000
AGP Testing	-£899
Rates	-£4,000
	-£41,125
Rent to NRFC	
Annual Rental NRFC	-£41,000
	-£41,000
<u>Total Expenditure</u>	-£181,817

The annual rent of £41,000 payable by WBC (as lessee) to the rugby club (as lessor) is excessively high, especially when it is considered that as landlords (lessor) for the existing football ground an income stream was provided to WBC. Sport England have said “£41k rent – this appears to be extremely high and is this sustainable over the life of the arrangement? Over the 40 years lease as a minimum (excluding rent reviews/increases) this would equate to £1.64m income to the Rugby Club, as well as the free use (and 50% discount) of the actual 3G facility.

Other items that **should be included** in Expenditure (but not included in the business case) are:

£30K per annum for costs not covered / underestimated

- No profit for the external management company is accounted for
- No account for interest rates required to fund the capital expenditure
- Sport England have said the staffing costs are too low “*Staffing costs seem very low. To avoid lone working at peak times, there would be a requirement for more than 3 staff to be available taking in illness and holidays*”.
- Sport England have also said the utility costs and annual pitch testing costs are too low.
- No account for increases in overall costs and rent over the contract term

Please note £30k this is a very conservative approximation for the under-estimates high-lighted by Sport England

£33k per annum required for the sinking fund. For some reason treated as a capital item, (and thus not yet in the public domain) when it is an annual operating cost and should be treated as such.

- Sinking Fund - WBC have allocated a Sinking fund of £25,000 per annum for the lifetime of the lease. In light of recent inflationary costs and future uncertainties we understand that this figure may need to rise to £33,000 per annum"

Ongoing Surplus / Deficit

Income:	£90,420
Expenditure:	-£244, 187

Business Case: -£181,187
Sinking Fund: -£33,000
Missing costs: -£30,000
/underestimates

This represents a deficit (cost to the local taxpayer) of **-£154,397 per year** (£6.1 Million over 40 years – at today’s rates)

When compared to the proposal and business plan submitted by NCFG for the redevelopment of the football ground at Faraday Road (which has been reviewed and is supported by Sport England, the FA and Football Foundation) the differences in terms of sustainability, fitness for purpose and value for money is clear to see. A simple example of this:

	Sports Hub	Faraday Road
Upfront Capital Costs for WBC	-£3,100,000	-£500,000
Costs to WBC over contract term	-£6,100,000	£0
Income to WBC over contract term	£0	£600,000
TOTAL	-£9,200,000	£100,000

It is not a football stadium

This planning application cannot be accepted in any way as a replacement for the Faraday Road ground. It cannot even be considered as a football ground, rather it is an unnecessarily expensive "Sports Hub".

Priority is given to exclusive rugby use, a number of priority slots that are key to youth football have been allocated to rugby, for example 4 hours exclusive use on Sunday mornings and the prime mid-week evening slots that are needed by younger children to attend trainings sessions. Furthermore, these rugby slots are provided free of charge or with substantial discounts, whereas football youth teams need to pay the full cost each time.

The site and pitch are simply too small, the current Faraday Road Ground (pitch and run off area) is: Length 123 metres; Width 95 metres. The Monks Lane "Sports Hub" (pitch and run off area) Length 106 metres; Width 70metres

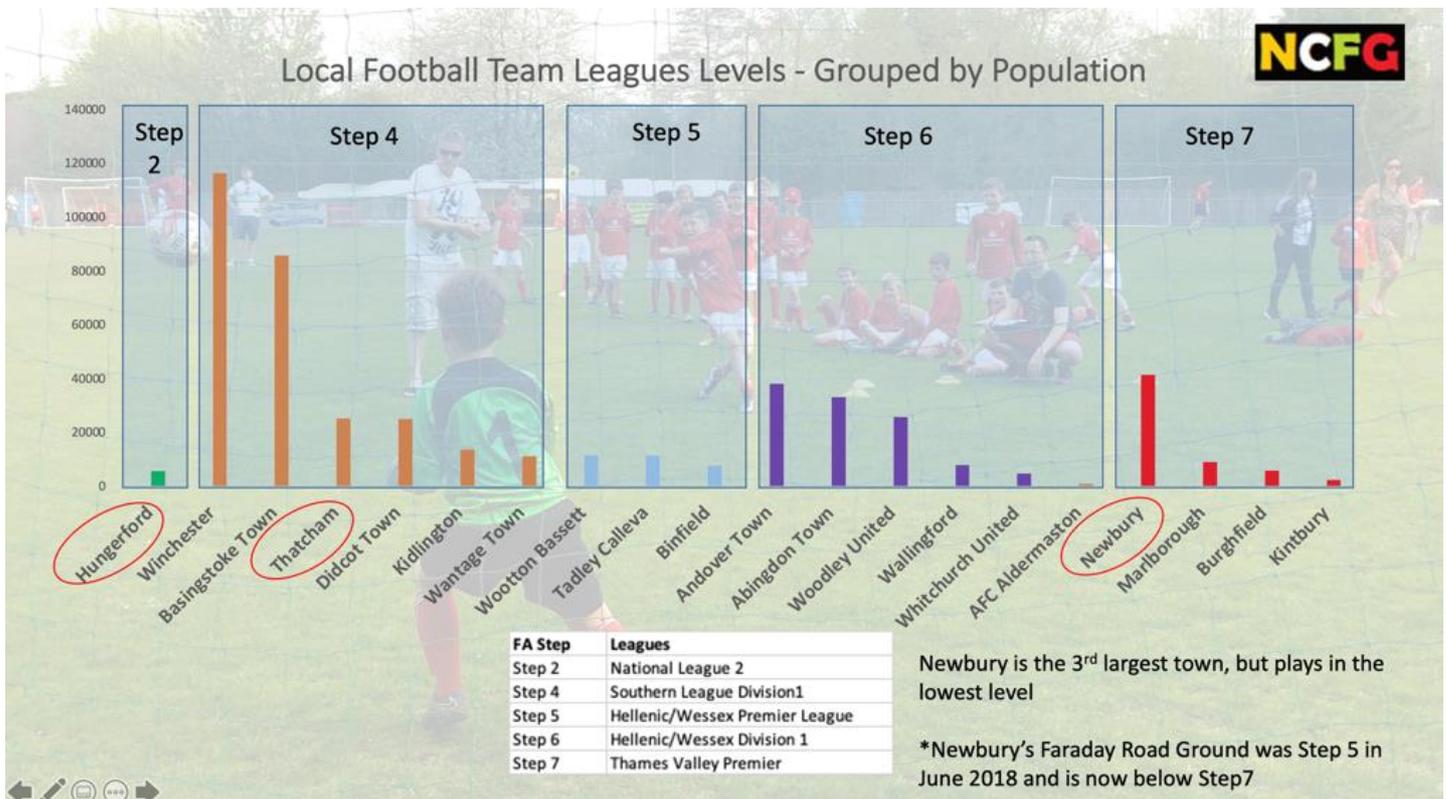
The RFU have stated that the pitch is too small to play rugby matches on and that it can only be used for training.

It restricts league progression.

Competitive non professional football is managed through the Women’s football pyramid and the National League System where progression to higher leagues is intrinsically linked not only to the quality and ambition of the teams but to the football ground facilities. The higher the football “Step”, the greater the ground grading requirements are and the need for security of tenure

Before the eviction notice, Newbury FC played at Step 4 level, but without firstly security of tenure and then without a ground at all are forced to play at the lowest level – Step 7

The chart below shows the comparative step levels of local football teams. Given the success of much smaller town Hungerford, it is entirely feasible that Newbury could and should have a senior team with the quality to play in Step 2, along side Hungerford. However, WBC have confirmed that unlike the existing football ground in Faraday Road, the Sports Hub would not have enough space to enable it to scale. This is a significant restriction on the growth and aspiration on Newbury football teams, that does not exist today. We believe removing this growth potential is very damaging to local sport



Appendix

Detail of costs and assumptions

	Sports Hub	Cost (to Tax Payer)	Football Ground	Cost (to Tax Payer)
Rent to Rugby Club	Sport England have said :£41k rent – this appears to be extremely high and is this sustainable over the life of the arrangement? Over the 40 years lease as a minimum (excluding rent reviews/increases) this would equate to £1.64m income to the Rugby Club, as well as the free use of the 3G.	£41k x 40 years: £1,640,000	The football ground is owned and will continue to be owned by WBC. WBC will see a significant increase in the land value of the football ground. Assets will remain with WBC.	£0
WBC Revenue Support (Subsidy)	The business case is not sustainable and loss making, due in a large part to the high rent paid and the free and discounted slots given to the Rugby Club, meaning the faculty can not sustain itself without considerable subsidies from WBC. The operational costs (excluding the £41k rent) are £139k a year and the forecast revenue is £90k (after removing the £90K "WBC Revenue Support") , giving a loss of £49k a year that needs to be subsidised. The WBC Revenue Support of £90,000 is shown as £41K for the Lease + £49K operational loss.	£49k x 40 years: £1,960,000	The proposal and business case (which has been reviewed and is supported by Sport England, the FA and Football Foundation) is fully self-sustaining and will provide WBC with an income and estimated ROI of 3%.	£0
Construction	Estimate provided by WBC project manager, an increase from £2m to £2.5m	£2,500,000	Detailed costs approved by Sport England of £1.8m, (estimated now £2m) with Football Foundation funding 75%	£500,000
Football Foundation Construction Funding	Not applicable		External funding (e.g. Premier League & FA Facilities Fund - Football Foundation) sources accounts for up to 75% of capital requirements for redeveloping the existing facility - £1.5m	£0
Under-estimated costs	Sport England stated 2 more staff are needed and utility costs are too low. We have estimated an extra £30k a year for these	£30k x 40 years: £1,200,000	Not applicable	£0
Sinking fund	This is the cost to replace the 3G surface every 5-6 years (and other capital items) and is not covered as a business as usual operational cost in the business case. However in its response to the Sport England WBC has stated " <i>In light of recent inflationary costs and future uncertainties we understand that this figure (sinking fund) may need to rise to £33,000 per annum</i> ".	£33k x 40 years: £1,320,000	The business case takes the sinking fund into account as an operating cost	£0
Spent Already	Existing Committed Spend (Alliance Leisure Services, SSL, Interim Consultants, officers time etc.)	£200,000	No tax payer costs incurred	£0
Donation to Rugby Club	A one-off payment as a "Lease premium" to NRFC	£250,000	Not applicable	£0
2nd Grass Pitch Mitigation	As a condition of planning, Sport England require a 2nd additional grass pitch to be delivered. WBC have identified one in Clay Hill. We have estimated a conservative £100k for this work	£100,000	Not applicable	£0
Income to WBC	WBC will not receive an income - it will be a significant cost liability	£0	WBC will receive <u>income</u> from Geared Lease & Insurance	(£600,000)
Asset Ownership	The Taxpayers of West Berkshire will be investing over £3 Million up front and a further £33K per annum into a sinking fund. At the end of the lease (which could be as low 20 years due to a break clause) assets will revert to Newbury Rugby Club.		at the end of any lease agreements the assets will remain with WBC.	
		£9,170,000		(£100,000)