

# **HORSPATH SPORTS PROJECT**

## **STAGE 2**

### **DRAFT BUSINESS CASE SUMMARY REPORT**

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Sports Solutions  
111 Victoria Street, Bristol, BS1 6AX

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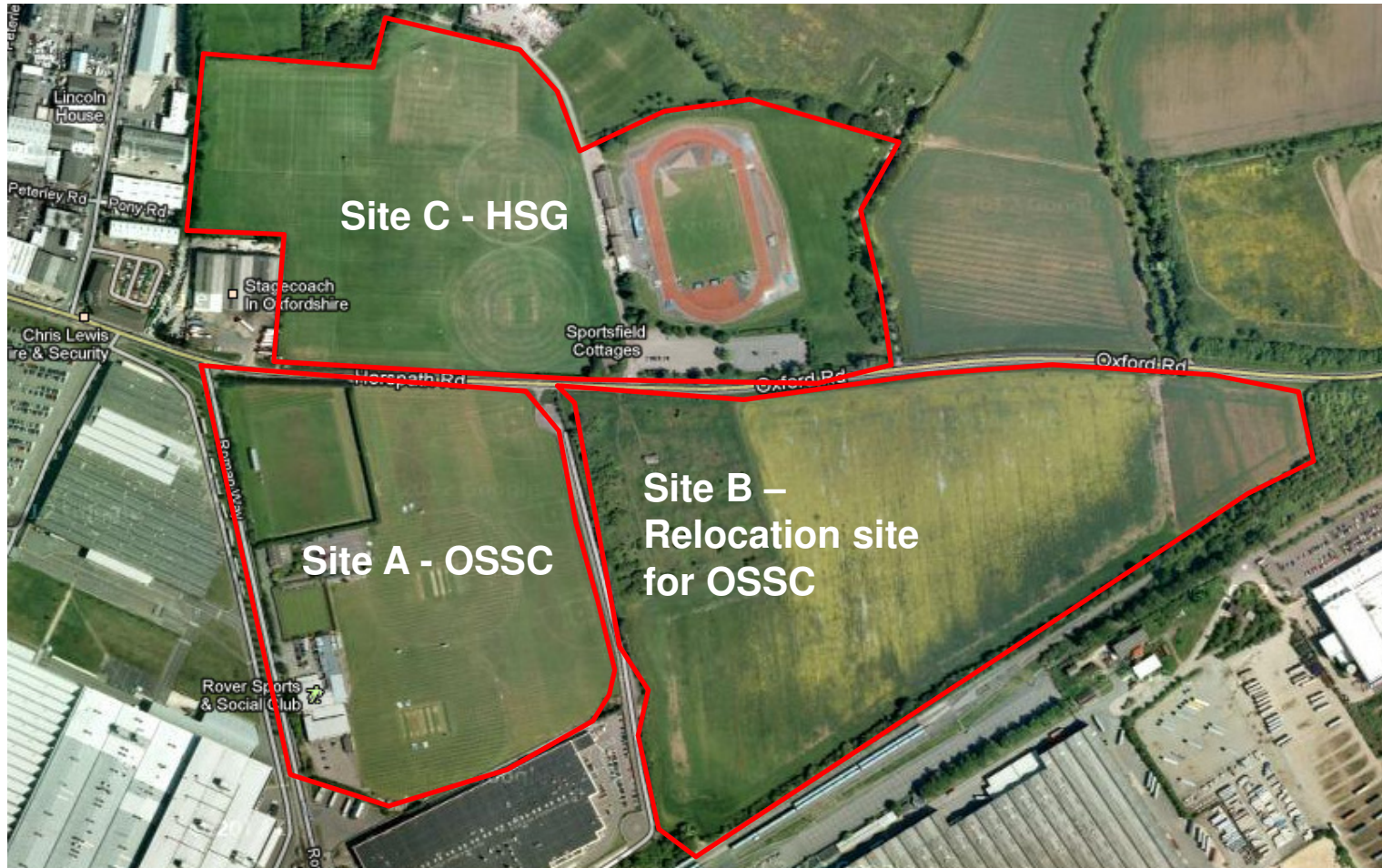
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# 1. INTRODUCTION

- Sports Solutions was appointed by The BMW Group and Oxford City Council in September 2013 to undertake a Feasibility Study which would examine the potential to relocate and improve the sports facilities provided at Horspath Road in Oxford.
- The study was broken down in to two stages; Stage 1 explored the planning, sporting and strategic context of the existing facilities at both the Oxford Sports and Social Club (OSSC) and at the Horspath Sports Ground (HSG) which are currently located on either side of Horspath Road
- The outcome of the tasks carried out in Stage 1 was the identification of three relocation options for OSSC and recommendations for improvement and the associated next steps for HSG.
- Stage 2 of the study was commissioned to then consider the operational viability of the relocation options for OSSC, with the aim of identifying the optimum future operating position if the relocation were to be delivered.
- Full details on each of the sites, its current operating position and existing users are provided in the Stage 1 report and briefly recapped in Section 2 of the this report overleaf.

## 2. OVERVIEW OF THE SITES

### SITE LOCATION PLAN



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## 2. OVERVIEW OF THE SITES

Site A – OSSC	Site B – Relocation site for OSSC	Site C - HSG
25 acres	39 acres	32 acres
Owned by BMW	Owned by OCC	Owned by OCC
Grass football and cricket pitches	Uncultivated, sloping land	Grass football, cricket & baseball pitches
Bowls green		Athletics stadium & track
Cricket nets		Two pavilions for sporting use
Numerous pavilions and sport related buildings		Floodlit grass training area
Managed by OSSC – due to cease trading in 2015		Managed by OCC
Part sub leased to OUFC		User clubs
Net revenue position estimated -£128,000		Net revenue position estimated -£47,000 per annum

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### 3. RELOCATION OPTIONS

#### THE OPTIONS

Three relocation options were identified for OSSC to move from Site A to Site B as a result of Stage 1 of the feasibility study.

These were:

- **Option 1** – A “like for like” replacement scheme with no enhancements
- **Option 2** - A replacement scheme with minor enhancements
- **Option 3** – A replacement scheme with major enhancements

Capital costs appraisals for each of the options have been carried out and sources of capital funding for each also explored.

The facility proposals for each option are summarised overleaf.

### 3. SUMMARY OF RELOCATON OPTIONS & CONSIDERATIONS

Option1	Option 2	Option 3
Like for like	Enhanced scheme - minor	Enhanced scheme - major
<b>£3.3m</b>	<b>£3.6m</b>	<b>£4.9m</b>
Unlikely to satisfy all existing sports pitch users and the practical feasibility of replacing all pitches is in question	Would satisfy existing sports pitch users	Satisfies existing sports pitch and new sporting users
Limited social facilities and reduced space for OUFC's Academy	Adequate social facilities and space for OUFC's Academy	Adequate social facilities plus additional changing space for 3G pitches
No bowls or target sports	No bowls or target sports	No bowls or target sports
No potential for grant funding – no additionality	Limited potential for grant funding – very minor additionality	Some scope for investment from OCC, grant funding and from commercial investment partners
Unlikely to satisfy planning policy as current users (specifically OUFC) would not be satisfied. <b>Sports Solutions has recommended that the client does not pursue this option.</b>	Just compliant with planning policy, although Sport England may still object as it the enhancement is minor	Compliant with planning policy and can demonstrate sufficient enhancement for current and new sporting users

## 4. MANAGEMENT OPTIONS

- In respect of OSSC, there is already something of a hybrid management arrangement in place.
- OSSC operates the majority of the facilities, however BMW leased part of the facilities to OUFC, with OUFC undertaking some of the maintenance duties.
- The lease has now expired with a tenancy at will arrangement now in place.
- It is considered that there are a number of different options for the future management of a relocated OSSC, each carrying a varying degree of risk and net operating position, influenced primarily by the facility mix and user type.
- Stage 2 of the feasibility study has therefore considered the different relocation options and the facilities they offer, along with their relevant income expectations and running costs. Capital costs for delivery and any influencing factors of any third party funders have also informed the options for consideration.
- Different management types/structure are presented overleaf in summary and explored in more detail against each option in Sections 5, delivery considerations provided in Section 6 and conclusions for discussion in Section 7.



## 4. MANAGEMENT OPTIONS

- The options have been developed on the assumption that BMW's involvement in the future management of the relocated OSSC will cease once the new facilities are constructed, subject to financial agreement with OCC.
- The different management types/structures that may be appropriate for the relocated OSSC are identified as:
  - A. OCC In house management of entire site
  - B. OCC In house management of part of the site plus partial lease of site to third party(s)
  - C. OCC leases entire site to third party(s)
- Each management structure has various different scenarios that could be delivered either with existing or new users/partners.
- These scenarios have been applied to the three identified relocation options and operating forecasts developed accordingly as appropriate.

## 4. MANAGEMENT OPTIONS

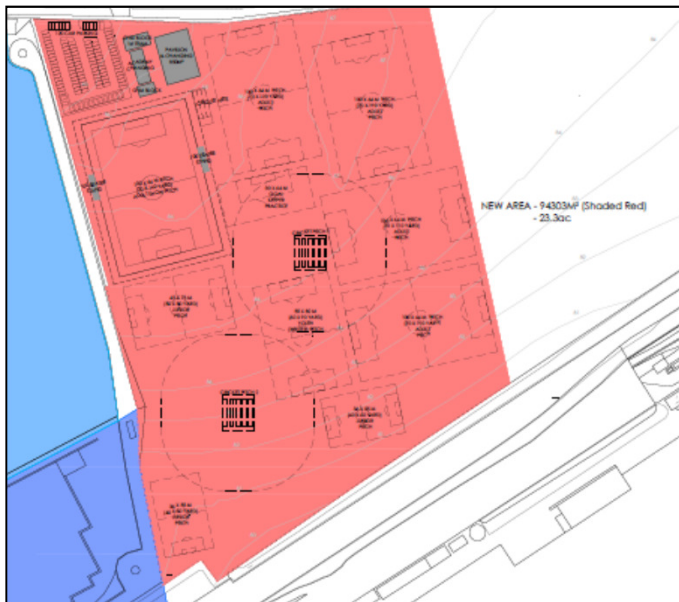
- The principles of each of the three structures are as set out below:

A. In house of entire site	B. Partial in house/lease	C. Entire site leased to third parties
OCC manages site itself	OCC manages part of the site	OCC lease whole site to third parties
Users book pitches as per other OCC sites	Some areas leased to third parties	OCC retains income from leases
Maintenance of pitches undertaken through Corporate Services under contract	Leases assumed as full repairing leases, tenant responsible for management and maintenance of leased areas	Leases assumed as full repairing leases, tenant responsible for management and maintenance of leased areas
OCC retains all income generated from site (from pitches, social facilities etc)	OCC retains income from non-leased areas and from income generated from lease rent charges	
OCC covers all expenditure costs	OCC covers all expenditure of non-leased areas	

- Forecasts for each structure and each relocation option have been prepared accordingly. All forecasts at this stage exclude VAT.
- The detail is provided in Appendices 1 and summarised in Section 5 on the following pages.

## 5. INCOME & EXPENDITURE FORECASTS

### Site Option 1 – Like for like replacement



Facility	Qty
Senior football pitch	5
Youth football pitch	1
Junior football pitch	3
Cricket pitch	2
Main building	1
Academy buildings	1

### Key headlines of forecasts

- Site not easy to divide into leased areas for separate cricket or football usage due to pitch overlaps
- Also, main building contains both football & cricket changing and social areas therefore only likely to be capable of being operated by one operator
- Cricket pitches significant distance from pavilion
- OUFC assumed to have use of temporary building and main pavilion
- Pitch hire charges based on Council's schedule attached at Appendix 4
- Assumes maximum carrying capacity of each pitch; 2 games per junior pitch per week, 1.5 games per senior pitch and 2 games per cricket pitch
- Temporary building rental to OUFC calculated on ground rent basis
- Hire charges for use of main building to OUFC calculated on discounted block booking rate
- Site 1 Options forecasts and assumptions provided for Year 1 at Appendix 1

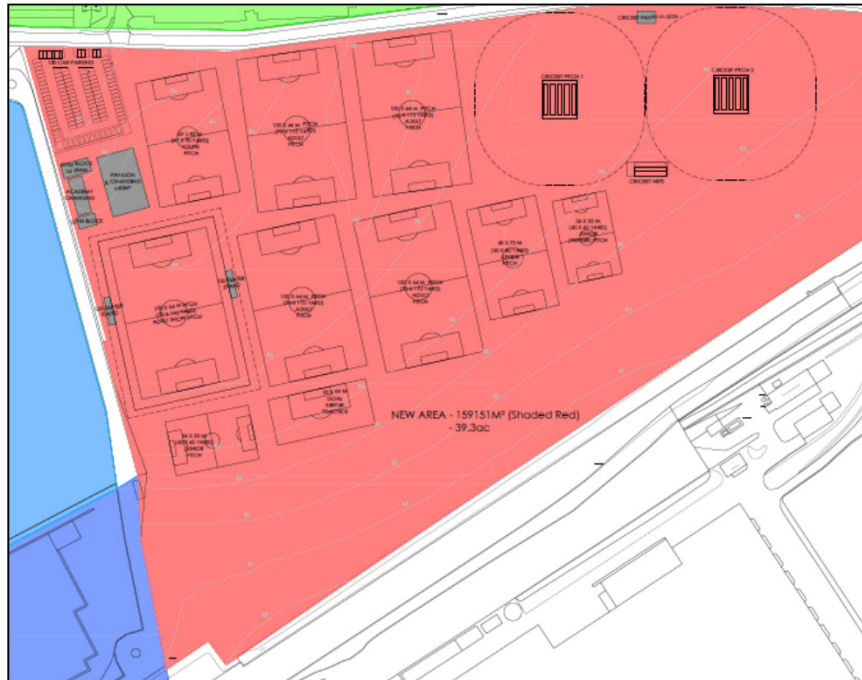
## 5. INCOME & EXPENDITURE FORECASTS

### SITE OPTION 1

	A. In house of entire site	B. Partial in house/lease	C. Entire site leased to third parties
<b>Income</b>	£80,227	£0	£14,000
<b>Expenditure</b>	£207,113	£0	£17,950
<b>Profit/Loss</b>	<b>-£126,886</b>	£0	<b>-£3,950</b>
<b>Comments</b>	<ul style="list-style-type: none"> <li>Assumes maximum capacity used for pitches; unlikely to actually achieve this level of income therefore deficit likely to be even higher</li> <li>Potential for social income to increase however unlikely to achieve any significant positive impact</li> </ul>	<ul style="list-style-type: none"> <li>Not considered practical to sub lease different parts of site due to overlap of pitches and buildings</li> </ul>	<ul style="list-style-type: none"> <li>Assumes OUFC will take on full repairing lease of entire site</li> <li>OUFC would hire pitches to Oxford Cricket Club</li> <li>OCC may have minor overseeing/caretaker role</li> </ul>

# 5. INCOME & EXPENDITURE FORECASTS

## Site Option 2 –replacement and minor enhancement



Facility	Qty
Senior football pitch	5
Youth football pitch	1
Junior football pitch	3
Cricket pitch	2
Main building	1
Cricket pavilion	1
Academy buildings	1

### Key headlines of forecasts

- Site has the potential to divide into leased areas for separate cricket or football usage as pitches and changing facilities do not overlap
- OUFC assumed to have use of temporary building and main pavilion
- Pitch hire charges based on Council’s schedule attached at Appendix 4
- Assumes maximum carrying capacity of each pitch; 2 games per junior pitch per week, 1.5 games per senior pitch and 2 games per cricket pitch
- Temporary building rental to OUFC calculated on ground rent basis
- Hire charges for use of main building to OUFC calculated on discounted block booking rate
- Site 2 Options forecasts and assumptions provided for Year 1 at Appendix 2

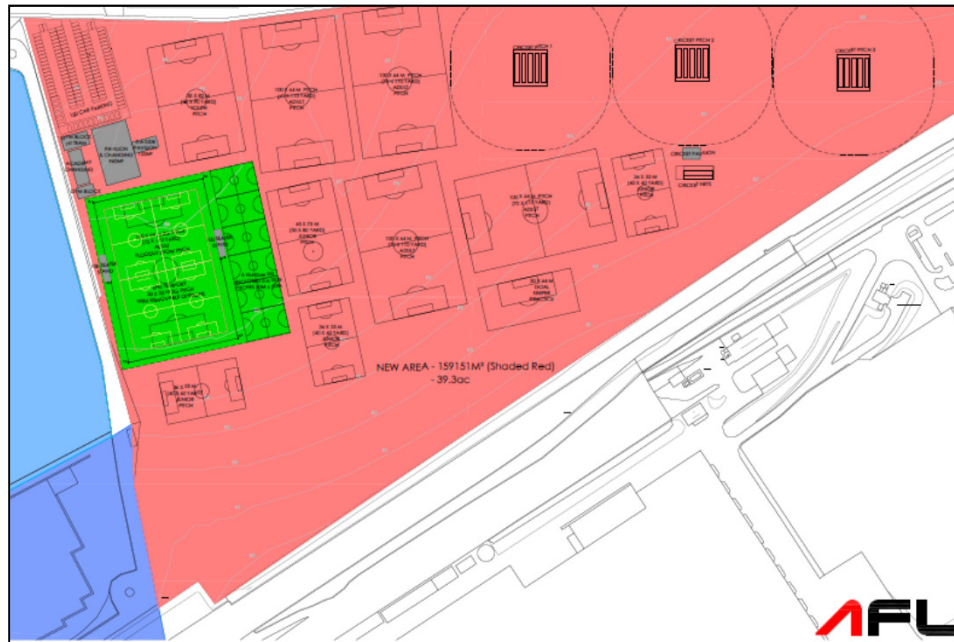
## 5. INCOME & EXPENDITURE FORECASTS

### SITE OPTION 2

	A. In house of entire site	B. Partial in house/lease	C. Entire site leased to third parties
<b>Income</b>	£80,227	£78,059	£18,000
<b>Expenditure</b>	£205,983	£188,983	£6,650
<b>Profit/Loss</b>	<b>-£125,756</b>	<b>-£110,924</b>	£11,350
<b>Comments</b>	<ul style="list-style-type: none"> <li>Assumes maximum capacity used for pitches; unlikely to actually achieve this level of income therefore deficit likely to be even higher</li> <li>Potential for social income to increase however unlikely to achieve any significant positive impact</li> </ul>	<ul style="list-style-type: none"> <li>Cricket facilities can be leased to Oxford Cricket Club</li> <li>Although pitch maintenance costs decrease the deficit is still substantial</li> </ul>	<ul style="list-style-type: none"> <li>Assumes OUFC will take on full repairing lease of football pitches and main building</li> <li>Oxford Cricket Club take full repairing lease of cricket pitches and pavilion</li> <li>OCC may have minor overseeing/caretaker role</li> </ul>

## 5. INCOME & EXPENDITURE FORECASTS

### Site Option 3 –replacement and major enhancement



Facility	Qty
Senior football pitch	4
Youth football pitch	2
Junior football pitch	3
Cricket pitch	3
Main building	1
Cricket pavilion	1
Academy buildings	1
Full size 3G AGP	1
Small sided AGP	6

#### Key headlines of forecasts

- Site has the potential to divide into leased areas for separate cricket, football and commercial artificial pitch operator usage
- OUFC assumed to have use of temporary building and main pavilion
- Pitch hire charges based on Council's schedule attached at Appendix 4
- Artificial pitch forecasts prepared on indicative usage plan
- Commercial income levels based on discussions with operators
- Assumes maximum carrying capacity of each pitch; 2 games per junior pitch per week, 1.5 games per senior pitch and 2 games per cricket pitch
- Temporary building rental to OUFC calculated on ground rent basis
- Hire charges for use of main building to OUFC calculated on discounted block booking rate
- Site 3 Options forecasts and assumptions provided for Year 1 at Appendix 3

## 5. INCOME & EXPENDITURE FORECASTS

### SITE OPTION 3

	A. In house of entire site	B. Partial in house/lease	C. Entire site leased to third parties
<b>Income</b>	£291,960	£225,756	£48,000
<b>Expenditure</b>	£294,792	£138,217	£500
<b>Profit/Loss</b>	<b>-£2,832</b>	£87,539	£47,500
<b>Comments</b>	<ul style="list-style-type: none"> <li>Assumes maximum capacity used for all pitches; unlikely to actually achieve this level of income on grass pitches therefore deficit likely to be higher</li> <li>Potential for social income to increase however unlikely to achieve any significant positive impact</li> <li>Assumes funding for construction of artificial pitches can be accessed</li> </ul>	<ul style="list-style-type: none"> <li>Assumes all grass pitches and buildings (apart from artificial pitch changing pavilion) are leased to OUFC and Oxford Cricket Club</li> <li>Would require capital funding for construction of new AGPs</li> <li>Surplus potentially sufficient to service borrowing</li> </ul>	<ul style="list-style-type: none"> <li>Assumes OUFC will take on full repairing lease of football pitches and main building as per B</li> <li>Oxford Cricket Club take full repairing lease of cricket pitches and pavilion as per B</li> <li>AGPs leased to commercial operator who would provide capital funding for construction assuming building, car-park and infrastructure is provided</li> <li>No revenue outlay other than Public Liability Insurance for OCC</li> </ul>



## 6. DELIVERY IMPLICATIONS

### Capital Funding

- As identified in Stage 1 of the feasibility study, capital costs for site options 1 and 2 are relatively similar and are expected to be funded as the developer's obligation. Therefore no grant funding is required and as such future operation is not restricted in having to meet any particular terms and conditions of a third party funder
- Site Option 3 will require additional capital investment either from grant funding, BMW or Council resources or through a third party operator. The quantum of potential grant funding identified was quite limited in comparison to the whole scheme (less than 10% of the total cost) yet it would bring with it some restrictions on usage, charging and access for the operator. As such, as forecasts 3B and C suggest having the ability to hire or let the facility without restriction has the greatest potential for achieving a positive operating position in the future.

### Leases

- If the optimum operating position is to be achieved it will be essential for the site to be leased to different parties. In respect of Oxford United FC and Oxford Cricket Club, some estimated lease charges have been applied based on other facilities elsewhere. However, there are also lots of examples of peppercorn rents therefore this is something that may need to be considered and would have to be negotiated with the Clubs, along with appropriate terms.
- In respect of a commercial operator for the AGP, discussions to date have indicated a sum of between £25,000 and £50,000 with an estimated capital investment of c£1m. A profit share arrangement is also a potential option.

## 6. DELIVERY IMPLICATIONS

### Procurement

- If either the whole or partial site lease options are pursued, it is likely that if the Council were to assume ownership, procurement of an operator or the ability to offer a lease on all or part of the site would have to follow the Council's Standing Orders and Procurement policy.
- This is a relevant point in respect of relocating the OUFC facilities as in theory it could be argued that they are the only candidate to take on these facilities.
- Is it appropriate for procurement of a tenant to also seek a capital contribution? This will be essential for the artificial pitch partner but should it apply to either other party?
- As part of the procurement, particularly for the commercial artificial pitch tenant, it may be appropriate for there to be a Service Level Agreement that offers community organisations and schools free or discounted access to the pitches and/or a fixed number of free hours.

### Operation

- The Council (and its current leisure partner) are an established facility operator therefore although the in house options for all of the sites do not appear to be financially viable, it does provide comfort that an experienced partner is in place, albeit at a cost.
- In the partial or full lease scenarios, there is the risk that there might be differing standards of management and potential conflict between the different tenants. The detailed design would need to be developed taking account of the future operating structure to minimise this.

## 7. SUMMARY AND NEXT STEPS

### *Main conclusions and next steps*

- Different management structures have been explored for each of the currently proposed site options.
- Income and expenditure forecasts have also been created for each management structure and site option, each based on assumptions that have been informed through National Governing Body of Sport guidance, comparable facilities or historic data.
- In house management by OCC (or leisure partner) for any grass only pitch facility mix is not sustainable without an ongoing requirement for some form of revenue subsidy
- The addition of the artificial pitches offers the greatest scope for financial sustainability and has the potential to significantly increase sports participation figures for the site.
- It is not considered however that the grant funding route will assist in achieving the optimum future operating position
- To achieve the optimum operating position, it is likely that the site would need to be constructed as per option 3, and to be leased to three different operators, each paying varying amounts of lease charges.
- Alternatively Site option 2, leased to OUFC and Oxford Cricket Club appears to offer a positive operating position, subject to agreement of rental charges.
- It might be possible to phase the development of the site, such that the grass pitch scenario (site 1 or 2) delivered initially, with Phase 3 to follow, subject to securing a commercial partner and the required level of capital investment.
- Next steps to be discussed

For further information on this report please contact:

Anna Kocerhan

Director

Sports Solutions

111 Victoria Street, Bristol, BS1 6AX

Tel (DDI): 0117 301 7216

Mob: 07921 770531

[anna@sports-solutions.eu](mailto:anna@sports-solutions.eu)