

FC United of Manchester



**Ten Acres Lane
Community Football Ground**

Outline Business Plan

Please note that this document is based on what was submitted to the council as part of the agreement reached for the site in March 2010.

1. Executive Summary

1.1 The Proposition

This document is a business plan for the development of a community sports facility at Ten Acres Lane, Newton Heath, Manchester by FC United of Manchester, Manchester City Council and New East Manchester Ltd. FCUM is a member owned, semi-professional, community football Club.

The purpose of the development is threefold:

- i) To provide a home ground for FC United of Manchester
- ii) To benefit the residents of Newton Heath by modernising, upgrading and extending the existing facility, providing new sports opportunities and increasing usage
- iii) To create a facility in which FC United of Manchester can deliver and expand its existing and highly regarded Community Programme to help improve health and well being, educational attainment and employment possibilities for its local communities.

The site which the Club wishes to develop is an existing sports facility owned by the Manchester City Council Leisure and Sports Trust currently run by Serco. The proposal is for the Club to take over the site on a long term lease and develop a new facility comprising a community stadium, club house with community rooms, artificial football pitch and integration of the existing sports hall. The Club will increase community use of the site by integrating it with its successful existing Community Programme whilst also building on the phenomenal success of its teams and establishing a home of its own.

The *Business Plan* has been developed following a *Feasibility Study*; both draft and turnkey Schedule of Costs; a *Community Use Plan*; a *Travel Plan*; an *FC United Survey* of supporters and initial both supporter and local consultation.

1.2 Public Benefits

To Manchester City Council there will be both financial, social and regeneration benefits. The total value of the capital development including land value will be between £4.5 and £5m. It will bring £3.5m of new investment into the area and will provide a renovated community sports facility for a very disadvantaged area of Manchester which has seen little regeneration in recent years. The unique selling point of this development is that nature of the football club that will undertake the development - including its open nature and member ownership; significant community programme which is already delivering in the area; and the additional revenues that the club can bring to increasing activity. The development will form part of a regeneration plan for the Newton Heath area, overseen by New East Manchester Ltd.

1.2.1 Manchester City Council

Then development will generate better value on what is accepted to be an underperforming and declining facility providing new significant capital investment for a facility where there exists no alternative proposition. It will also provide revenue cost savings to the City Council over the long term as FC United will phase out the current subsidy of £120,000 within 3 years. In conjunction with the capital grant, over a ten year period the proposal represents an overall revenue saving of £250,000. The Community Use Plan illustrates how the development will be used to help Manchester meet key Local Area Agreement targets in relation to young people, sport and activity and community cohesion.

1.2.2 Local Community

The development will provide to the people of Newton Heath, an enhanced sports facility to encourage increased participation in football and sport, with associated health benefits, at a facility for which there is no capital or development plan. This is detailed in a separate document, the Community Use Plan, as well as summarised in Section 4.

The development will also provide new investment and facility development, with some new job creation, as well as increased footfall and spending in the area. The development will bring FC United of Manchester's expanding Community Programme to the area, increasing access to sports facilities and participation in sport, health and education, addressing key targets of the Manchester Community Strategy.

1.2.3 FCUM

The development of the facility will ensure the sustainability of the club by:

- maximizing existing income streams
- reinvestment of existing income levels in our own asset
- Providing new income streams
- ensuring expansion is possible
- fulfilling the Club's community obligations and company Objects

Achieving a home for the club is absolutely critical to the Club's future. The development location has excellent transport links from the city centre, and will maximize the ability of the FCUM fan base to access home matches as well as create potential for the participation of the local community in the club. The facility will also allow the Club to significantly expand their earning potential and make it a sustainable business, which will also facilitate expansion of its community programme.

1.3 Key Figures - Capital

1.3.1 Capital Cost

We have undertaken several costing exercises:

- Schedule of costs as part of the Feasibility Study undertaken by AFL
- A Draft Schedule of Costs undertaken by Davis Langdon
- A Turnkey Schedule of Costs undertaken by John Austen Associates.
- Design based costing exercise undertaken by FWP

The turnkey cost is estimated at £3.5m although this cannot be confirmed until the tender stage and includes a number of variables.

1.3.2 Capital Funding Package

FCUM aims to raise £2m itself through a combination of £500,000 of donations to its Development Fund (currently £300,000) and £1.5m from a Community Shares issue. We also anticipate raising additional capital from grant funding as well as support from the City Council. A summary is provided below.

Source	Amount
FCUM community shares	£1.5m
FCUM Development Fund	£0.5m
Football Foundation SIF	£0.15m
Football Foundation Community Facilities	£0.375m
Sport England Community Sports Hub	£0.2m
Other grant income	£0.125m
Manchester City Council grant	£0.65m
Total	£3.5m

1.4 Key Figures – Trading

1.4.1 Existing Trading Position 2009/10

We are currently undergoing our audit for the year ended June 2010. The outturn for 2009 was a loss of £9,663.

1.4.2 Future Trading Projections

a) Income

The prime change in the trading position will result from the Club having its own facilities and being able to secure additional income from the use of this resource. The additional turnover arising from the relocation is as follows:

- An increase in the average gate receipts as a result of new fans and existing members and supporters having a closer affinity with the Club at its new Manchester based location.
- The ability of the Club to increase its revenue for each game by being able to benefit from profits on catering sales as well as the increased spend expected from higher gates.
- The ability to secure sources of revenue not presently open to the Club such as perimeter advertising, club, ground and stand sponsorship, income from events etc.
- Hire of the pitch and function rooms as well as the sports hall.

Detailed financial projections have been prepared to cover the first three years of occupancy on the site with a summary of the forecast trading results detailed below.

i) Existing Income Streams

Revenue Source	Year 1	Year 2	Year 3
Gate Receipts	£274,000	£333,000	£384,000
Sponsorship	£62,000	£65,000	£68,000
Merchandise	£90,000	£99,000	£104,000
Donations	£100,000	£100,000	£100,000

Programmes	£43,000	£47,000	£49,000
Membership and other	£24,000	£26,000	£28,000

ii) New Income Streams

Although we are ambitious and confident in the potential of the development to increase the business significantly, new income streams have been estimated on a conservative and prudent basis.

Source of Income	Year 1	Year 2	Year 3
Matchday Food & Bev Income	£198,000	£208,000	£218,295
Advertising	£12,000	£12,000	£13,000
Conference Room Hire	£7,000	£7,000	£8,000
Room Hire / Functions	£24,000	£29,000	£32,000

iii) New Community Facility Hire Income

The community sports facilities are an essential element of the delivery of benefits to the local community and for the club to realise its community development ambitions. However, it will also be an important revenue generator that will contribute to the overall sustainability of the club and allow reinvestment in FCUM's Community Programme.

Source of Income	Year 1	Year 2	Year 3
Sports Hall Hire	£21,000	£35,000	£53,000
Artificial pitch hire	£43,000	£72,000	£109,000

b) Overheads and Costs

i) Staff Costs

Cost Item	Year 1	Year 2	Year 3
Direct Wage Costs (admin/stewards/officials/players/security)	£206,000	£247,000	£247,000
Staff Salaries Management	£70,000	£70,000	£70,000
Staff Costs (facilities)	£110,000	£110,000	£110,000
Total Staff Costs	£386,000	£427,000	£427,000

ii) New Ground Costs

Cost Item	Annual Cost Year 1
Pitch maintenance	£25,000
General maintenance	£25,000
Rates	£18,000
Water	£15,000
Electricity	£15,000
Heating	£8,000
Insurance and Licences	£10,000
Total Other Costs	£116,000

NB: Rates and costs are derived from consultation with other clubs of similar size including AFC Wimbledon and AFC Telford.

iii) Contingency

A contingency of 5% of turnover will be set aside to cover replacement, repair and refurbishment costs as well as ensure cover on repayments.

c) Summary Net Profit / Loss

A summary table for the net profit and loss is provided below indicating the hugely positive impact that this development will have on business sustainability.

	Year 1	Year 2	Year 3
Turnover	£898,000	£1,035,000	£1,178,000
Overheads	£755,000	£830,000	£855,000
Contingency 5%	£45,000	£52,000	£53,000
Operating Surplus	£98,000	£154,000	£270,000
Provision for Community Shares repayment from Year 4	£90,000	£100,000	£130,000
Profit/Loss	£8,000	£54,000	£140,000

1.5 Governance

It is proposed that the stadium and community facilities will be owned by FC United of Manchester which is an Community Benefit IPS. To ensure that the community obligations and benefits from the site are realised it is also proposed that there is:

- i. A legally binding agreement between the Council and FC United to ensure the community use of facilities, with a scale of actions should this be broken in any way;
- ii. Ultimate responsibility resting with the board of the community benefit IPS;
- iii. A legally binding asset lock to prevent/discourage the potential of the Club being sold or 'carpet bagged'
- iv. A Monitoring Board with both Club and Council represented to regularly oversee the community use of the site and ensure the delivery of usage outlined in the Community Use Plan.

1.6 Next Steps

A fuller and earlier version of this Business Plan was submitted to Manchester City Council and New East Manchester for consideration in January 2010 and formed the basis for the announcement of an agreement between the council and the club to further develop plans.

Extensive consultation and design work was undertaken between May and September 2010 and a Planning Application was submitted in September 2010.

The FC United Community Share scheme will be launched on September 21st 2010; and grant funding bids will be prepared in October and November 2010.

Further consultation about use of the site will take place in the autumn of 2010.

Discussions are ongoing with the council about precise details of the lease, other legal agreements and site handover.

2. Background

2.1 Outline

This document is a business plan for the development of a community sports facility at Ten Acres Lane, Newton Heath, Manchester by FC United of Manchester, a member owned, semi-professional, community football Club.

The purpose of the development is threefold:

- iv) To provide a home ground for FC United of Manchester
- v) To benefit the residents of Newton Heath by modernising, upgrading and extending the existing facility, providing new sports opportunities and increasing usage
- vi) To create a facility in which FC United can deliver its Community Programme to help improve health and well being, educational attainment and employment possibilities for its local communities.

The site which the Club wishes to develop is an existing sports facility owned by the Manchester City Council Leisure and Sports Trust currently run by Serco at Ten Acres Lane in Newton Heath, Manchester. It comprises an existing older style 'carpet' astro turf pitch, a disused grass pitch, a sports hall and car parking.

The proposal is for the Club to take over the site on a long term lease and build a new facility comprising a community stadium, club house with community rooms, artificial football pitch, multi-use games area and integration and future upgrading of the existing sports hall. The Club will increase community use of the site by integrating it with its successful existing Community Programme whilst also building on the phenomenal success of its teams and establishing a home of its own.

A number of other documents informed this plan:

- i) A *Feasibility Study* conducted on the site by AFL architects in December and January 2008/09. This demonstrated how the facilities could fit on the site and what configurations were possible.
- ii) A *Draft Schedule of Costs*, undertaken by Davis Langdon QS March 09. This scoped the cost of the project at between £3.5-£3.8m.
- iii) A *turnkey cost estimate** by John Austen Associates Ltd QS December 09, which has costed two options for the project at £3.1m and £3.4m respectively.
- iv) A *Community Use Plan* indicating how the facility will increase site usage, provide benefits to local residents and help 21,000 beneficiaries per year.
- v) A *Travel Plan* indicating how the impact of increased use of the site for both football matches and community facilities can be minimised, encouraging public transport and minimising car use.
- vi) An *FC United Survey* of supporters and initial Supporter Consultation exercises with architects in March 2009.

* **NB:** *Turnkey Cost estimate: This cost estimate represents 'the walk in price' with all work and final fittings complete and in place.*

2.2 FC United of Manchester

Brief History

FC United is a very different kind of football club. It was formed by supporters of Manchester United who were disenfranchised and disempowered following the Glazer takeover of MUFC in 2005. It offers an alternative vision for football from one that seeks to maximise profits at the expense of the interests of fans and local communities, with one that seeks to empower supporters and communities.

The club began in the North West Counties Division Two and achieved successive promotions in three years and now competes in the Unibond Premier Division, three promotions from the Football League. FC United of Manchester (FCUM) is a fan owned, not for profit football Club, established in 2005 as an Industrial and Provident Society. The Club has 2000 members who each own one share (non-withdrawable) and is run on a democratic basis with an elected board of directors, plus employed General Manager, Club Secretary and team staff. FC United has an average crowd of 2,200 with the highest in the 2008/09 season being 3,780 and highest ever of 6,031. Our average crowd is around eight times the average for the league.

Structure

FCUM has a democratic structure – one of only two clubs that directly elect its board under and IPS/cooperative in which each member, or owner has one vote, regardless of wealth. It is a non profit organisation and has its commitment and obligations to both its own supporters – who as members are owners of the club – and its communities, written into its constitution.

The objects of the Club demonstrate this unique approach (see club governance, Section 9).

The proposals contained in this and associated documents are the means by which these Objects can be fulfilled in a sustainable manner, most notably how the club can benefit its communities.

It is a central aim of the Club to develop its own ground to provide sustainability and to fulfil its community ambitions. FCUM have had highly successful discussions with Manchester City Council and New East Manchester Limited, which have led to the identification of a site in the ownership of Manchester City Council at Ten Acres Lane, Newton Heath, as the preferred location for the construction of a stadium.

It is vital that this development is a genuine community facility and provides opportunities for a variety of uses for local residents and other community groups that FCUM work with. We have researched other community sports developments elsewhere including examples of best practice such as Leyton Orient (Score project), AFC Telford (education centre), Warrington Wolves (health facilities), West Bromwich Albion sports hall development etc. It is essential that the facility is perceived as accessible and part of local community developments, not separate to them.

Please see our *Community Use Plan* for further details.

Current Location

The Club currently plays its home games at Gigg Lane, Bury, with offices in Ancoats, Manchester. This poses a number of constraints on the club, most notably the match day costs associated with ground sharing, which means that the considerable revenue from gate receipts is largely swallowed up in ground rent.

The cost of staging matches at Gigg Lane stands at around £5,000 per match. For a non-profit organisation this is unsustainable and means that assets are not being invested in and income from members and supporters is not being reinvested. In addition:

- FC United have to rent offices, increasing the financial burden on the club when these could be incorporated into a stadium.
- The club have to rent facilities for delivery of its Community Programme, which adds to costs and means this delivery is inevitably nomadic.
- FC United have no permanent base within a local community with whom to work.

Whilst the club is “punching above its weight” the present operational base means that it will remain in a loss-making position until it is able to increase its sources of income. This cannot be achieved whilst it remains in rented facilities. Income received from members cannot therefore be reinvested in the future of the Club but will only be expended in meeting running costs.

FCUM Trading Record

The summary trading record of the club is shown in the table below. Following an early exceptional season, the club made a loss in 2007 due to considerable investments being made although this situation has improved dramatically since. However, achieving a sustainable trading position as well as company growth will require development of new income streams that our own ground would allow, as well as eliminating the payment of rent for ground share, which has a severe effect on our balances and ability to develop our own assets.

	2006	2007	2008	2009
	£000's	£000's	£000's	£000's
Turnover	730,274	604,025	526,886	504,283
Cost of Sales	(124,404)	(143,385)	(103,787)	(112,194)
Gross Profit	605,870	460,640	423,099	392,089
Administrative Expenses	(370,241)	(542,314)	(482,341)	(401,752)
Profit / (Loss) Before Tax	235,629	(81,674)	(59,242)	(9,663)

2.2 The Ten Acres Lane ‘Astro’ Centre

Site Search

The proposal to develop a community football ground and associated facilities has been the subject of an extensive site search with Manchester City Council between 2007 and 2009. This sought to identify a site which met criteria which included the following:

- Available land of over 6 acres

- Land preferably owned by the City Council or part of a City Council-led regeneration programme
- In an area of need in terms of both sport facility provision as well as wider community regeneration
- A site with extremely good public transport links (such as a quality bus corridor or Metrolink service)

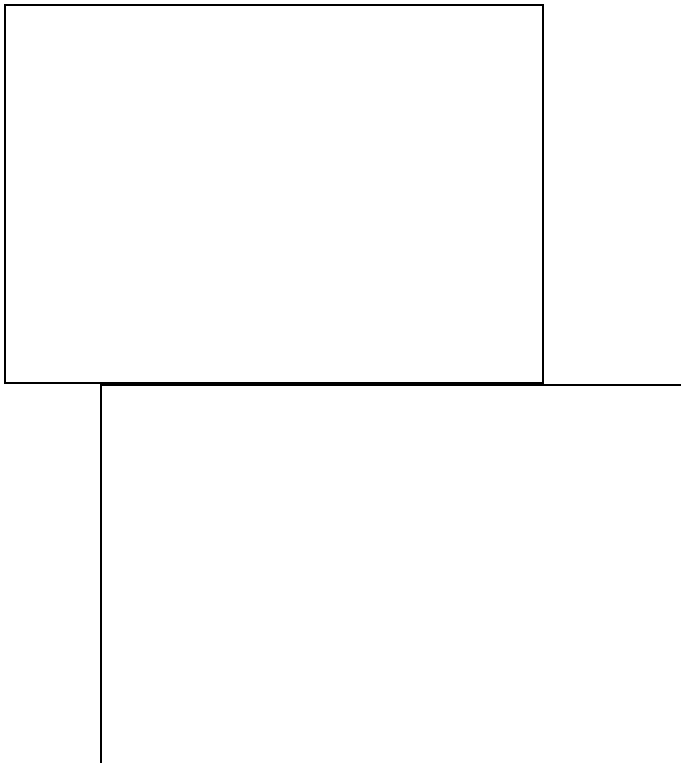
Ten Acres Lane was identified as the preferred site by the City Council and Manchester Leisure in conjunction with FC United and New East Manchester.

Existing Status

The Ten Acres Lane site has been a recreation facility for at least the last 100 years and historically sat next to the Jackson Brickworks, which closed in the 1960s. The Sports Hall and older-style, 'carpet' Astroturf football pitch were built in the early 1990s and both are in need of some uplift, particularly the pitch which is reaching the end of its useful life. The 'small-sided' grass pitch is now disused and there is also car parking for about 100 cars.

The ownership of the centre has, along with most City Council sports facilities, been passed to the Manchester Leisure and Sports Trust, an independent charity. The centre is operated by Serco under contract from the Trust. Serco receives around £120,000 in subsidy from the City Council per year for running the site.

The site comprises roughly six acres in total and backs onto a disused brown field site still known as Jackson's Brickworks, which has been identified as a development site by the City and New East Manchester.



Map Showing Extent of Site/MCC ownership.

Aerial image of existing site.

Site Handover and Subsidy

The site will be closed for approximately twelve months for development it is assumed for the purposes of this business plan that FC United does not take responsibility staffing the site until the facility reopens. We await further discussions with MCC, Serco and Manchester Leisure. In order to balance the need for a sustainable plan and the financial considerations of the city council it is assumed that the existing subsidy from MCC will be reduced over a period of 3 years as follows, which represents a significant cost saving to the city:

- Year 1: 2011/12 - £120,000
- Year 2: 2012/13 - £100,000
- Year 3: 2013/14 - £80,000
- Year 4: 2013/14 - No subsidy

3. The Proposal

3.1 Transfer of Site

The proposal is for the Club to take over the site on a long term lease with peppercorn rent and build a new facility comprising a community stadium, club house with community rooms, artificial football pitch and integration of the existing sports hall. The Club will increase community use of the site by integrating it with its own, existing Community Programme whilst also building on the phenomenal success of its teams and establishing a home of its own.

It is proposed that FC United take over the site on the basis that this will deliver significant public benefit for the local authority, the communities of Newton Heath and that it is in the wider interests of the people of Manchester.

Given the importance of reducing/eliminating VAT liabilities for the City Council and the need for FCUM to generate funding from a variety of sources, and following legal advice, the preferred option is for a transfer of the site prior to building work.

3.2 Capital Works

The club will undertake the following capital works on the site.

- i) Removal of existing Astroturf pitch and some levelling of ground.
- ii) Building a new football ground with:
 - Overall capacity c.5,000 people
 - Main Grass Pitch - 100m x 64m
 - Covered Main Stand with:
 - C. 750 seats
 - Standing areas for approximately 650 people
 - Changing rooms
 - End terrace - 2,000 capacity - with simple roof
 - Side terrace – 1000 capacity – no roof
 - End terrace – 900 capacity – no roof
 - Club offices
 - Multi-purpose function, community and meeting rooms with catering and bar – capacity c.350 people (plus ancillary areas)
 - Artificial pitch
 - Enclosure fence

Full details of the proposed design have been submitted for planning permission.

3.3 Community Facilities

The facility will be much more than a football ground and will provide a range of new sport and non-sport facilities for the local community. Our *Community Use Plan* outlines in detail how this will benefit the local community and in the following section we outline how this will help the City Council meet both local and national agendas. The *CUP* outlines how this will create provision for up to 20,000 user visits per year.

The benefits that these will deliver on key local and national strategies are outlined in the next section and provided in detail in the Community Use Plan, but the community facilities being provided are detailed below.

3.3.1 Sports Hall

The existing sports hall will remain, although the site development will offer the opportunity in time to revamp its external appearance; renovate or replace the entrance; upgrade the sports changing facilities and potentially (depending on site options taken) integrate into the main administration block for the stadium.

The Sports Hall will provide activities that align with local sports priorities as well as local resident needs. A full outline of how we will approach public use issues and draft timetable for the different user groups and activities is included within the *Community Use Plan*.

3.3.2 Astro Football Pitch (also usable for other sports)

There will be a new artificial football pitch divisible into 3 5 a side pitches. The pitch will provide activities that align with local sports priorities as well as local resident needs.

3.3.3 Multi-Function Community Room

Within the main administration block of the ground there will be a large *Multi-function Community Room*. This will serve a number of different functions as well as the different communities of FC United - supporters, residents and participants on our Community Programme.

The different functions include the following:

- It will be a key revenue driver for the club, including match day and non-match day catering and social functions and a gathering place for FC United supporters on match day and non-match day.
- It will provide a space for meetings and conferences for local organisations
- It will provide a space that can be used for the provision of some local services - e.g. men's health, young people's advice, or older people's drop in
- It will provide a space for delivery of programmed non-sporting Community activities run by the club's Community Programme (e.g. educational sessions, classroom activities)

Please see the Community Use Plan for further details of the ambitions for this space.

3.4 Transfer of FC United Operations

The following club operations will be transferred onto the site:

- All club administration and management
- All Home matches for first team and Under 18s team
- Community Programme Administration
- Community Programme delivery using sports hall and outdoor pitch (NB some other activities of the *Community Programme* will inevitably involve outreach work in other areas and using other facilities; and other aspects will be in-school/College delivery).
- Club social and fundraising events

Further detail on agreements about dates for transfer and agreements between NEM, MCC and Manchester Sports and Leisure Trust are not possible at this stage and until an agreement in principle to proceed with the development is reached.

4. Strategic Context

4.1 Overview

As far as the Club is concerned the strategic context under which the development is to take place is to allow it to achieve its long term aim of sustainability both for FCUM in its football context and also in its stated intentions to develop and enhance its community projects and its community programme for the delivery of developmental educations through sports activity. Only the development of our own facility will allow the full realization of the Clubs' Objectives to 'promote, develop and respect the rights of members of the community served by the Club'.

For the Council, the key context is that the development must deliver public benefit:

- to the people of Newton Heath by providing an enhanced sports facility to encourage increased participation in football and sport, with associated health benefits, at a facility for which there is no capital development plan;
- to the Newton Heath area by providing new investment and development, with some new job creation, as well as increased footfall and spending in the area;
- to the communities of East Manchester through the provision of new, non-sporting community facilities and activities within the stadium itself;
- as a catalyst for other external investment by bringing the site and immediate area back to life;
- to the people of Manchester by providing real cost savings to the council long term.

In doing so the intention is also to establish a facility, which becomes a recognised, valued and sustainable place within the local community recognising that the existing facilities fall some way short of this in line with the strategic goal for East Manchester. The stadium will act as the focus in that area for the use of sports as a driver for wider community regeneration.

Further detail on national policy, sports and local contexts is provided in the Community Use Plan.

4.2 New East Manchester

New East Manchester (NEM) was one of the first Urban Regeneration Companies (URCs) set up by the Government in 1999. It was charged with tackling the major problems facing East Manchester as a result of economic and population decline, its industrial past and poor quality post war development. Its creation commenced a long term programme of regeneration to reverse and transform the area's economy and establish sustainable communities. NEM is a limited liability public company owned equally by Manchester City Council, the North West Development Agency and English Partnerships. NEM has no statutory powers of its own but works with its constituent parties and with the private sector to regenerate the East Manchester area.

This proposal offers the opportunity to make a significant improvement in an existing, but declining, council-owned sports facility, as well as the first development on land next to the Brickworks regeneration site. It falls within NEM's broader strategies for the regeneration of Newton Heath, including redevelopment of the High Street, Mather and Platts site and Jackson's Brickworks. Furthermore the businesses at nearby Central Park and the Sharp Project will have within easy reach a community sports facility readily accessible to employees.

4.3 The Site and its Surroundings

The Site

The site is located on Ten Acres Lane in Newton Heath, approximately 200 metres from the A62 (Oldham Road). It extends to 2 hectares (6 acres) and is currently owned by Manchester City Council. An existing leisure facility on the site that consists of a multi-use sports hall and all-weather pitch is operated on behalf of the Council and Manchester Leisure Trust by Serco.

Surrounding Area

The site is surrounded by a mix of housing and employment uses and vacant land. To the south of the site is an established area of housing, some of which backs onto the site. There is also the possibility that housing will be developed on part of the adjoining Jackson's Brickworks site (see below). Ten Acres Lane itself is more commercial in character and directly to the east of the site is a large area of vacant land bounded by Briscoe Lane and Ten Acres Lane that will be developed for employment uses. To the west of Ten Acres Lane junction with Oldham Road is Central Park business park, which is one of NEM's major employment initiatives and the location for a transport interchange and Metrolink stop which will be 0.75km from the ground.

We recognise the need to minimise the negative impacts of a football stadium within residential community, such as increased traffic on match days. FCUM is already a member of the Federation of Stadium Communities, a voluntary agency that works for best practice in new sports developments and we have considerable in house expertise in the development of community sports facilities.

We intend to work closely with local communities to minimise such negative impacts as part of our local community consultation and have already drafted a *Travel Plan* for the stadium development. Please see our Travel Plan for further details.

Jackson's Brickworks

Directly to the east and north of the site is Jackson's Brickworks, which is a large vacant and overgrown area of land that links Ten Acres Lane to Newton Heath District Centre to the east. The site is in private ownership and NEM is looking to work with the owners to bring it forward for development in a way that will maximise the regeneration benefits to the surrounding area and particularly Newton Heath District Centre, whilst making the most effective use of the site. It is likely that the Jackson's Brickworks site will be developed for a mix of low density housing and commercial use, maximising the potential of the Canal as a setting for new development and as a linear area of open space. A new highway access to the site from Oldham Road will be required, which is likely to be at the junction of Thorpe Road with Oldham Road and will involve a new bridge across the Canal. Commercial development will be concentrated in the west of the site at Ten Acres Lane.

Redevelopment of the Jackson's Brickworks site has the potential to bring major regeneration benefits to the Newton Heath area and the development of a facility for FC United on the adjoining Council owned site could be an independent but important element of the overall regeneration strategy for this area by initiating the 'mindset change' necessary to kick start regeneration in the area and providing a facility offering a number of activities for potential future residents.

4.4 Manchester Leisure

Manchester City Council Priority Sports

It is important that the development of the facility enhances both football and sports provision in the local area as well as the development of football and sport in the city and region.

The development will enhance Manchester Leisure's delivery of football in the city by upgrading a tired and declining facility and introducing new investment for football delivery through FCUM's *Community Programme* and offering the possibility for increased involvement in the management and delivery of the game. The *Community Use Plan* outlines the extent to which FCUM's development can meet local football development priorities, which builds on existing work the club is undertaking in North Manchester.

Manchester City Council has identified a number of Priority Sports to which it is providing additional and targeted development resources. These are: Athletics, Badminton, Boxing, Basketball, Cricket, Cycling, Disability Sport, Football, Hockey, Netball, Rugby Union, Swimming, Squash, Tennis, Waterpolo. Although FCUM's work will focus on football, we will also develop other sports as part of the creation of a 'sustainable community sports hub'.

Please see the Community Use Plan for further details.

5. Capital Costs and Funding

5.1 Capital Cost

The cost of the development has been estimated at £3.5m. We are currently working with project managers Frank Whittle Partnership to refine these estimates in light of building design and tendering the work.

5.2 Funding Strategy

We will meet this through a funding package from a number of different sources.

5.3.1 FCUM Capital

The club will raise £1.5m through the issue of Community Shares. The club will raise an additional £0.5m through the club's Development Fund (donations). This will be used for working capital requirements, to fund VAT in respect of the capital costs and serviceability of funding during the period of the build.

Community Share Issue

FC United were awarded the Coops UK Cooperative Excellence Award in 2009. Following this, the club were one of just five projects to receive support from a project funded by the Dept Communities and Local Government and Office of the Third Sector to develop a Community Shares Scheme, in conjunction with the Development Trusts Association and Coops UK.

This will allow the club to raise finance via a 'community shares scheme' of withdrawable share capital via the Industrial and Provident Society structure. The Offer Document for this is issued in September 2010.

The share issue will include a moratorium on repayments for 3 years and a 10% limit on withdrawals after that. This limits a maximum liability to £150,000 a year from Year 4, which is more than covered in the financial projections and sensitivities.

Club Borrowing

Any shortfall from the Community Share issue can be met by additional borrowing. As a third sector enterprise, the club can access preferential financing from one of a variety of sources (discussions have been held with Charity Bank, Triodos Bank and Coop Bank). The provision for repaying share capital raised easily covers any potential borrowing in addition.

Development Fund

The club has a Development Fund which is raising capital for the stadium development. The target for this is £0.5m and funds as of September 2010 were £300,000, with annual subscription via direct debit of £55,000. There are a number of ways in which we can increase this once public disclosure on the site is possible.

5.3.2 Grant Funding

There are a number of sports based grant funding sources we are exploring and hope to attract. These include:

- Football Foundation Stadium Improvement Fund (£150,000 at Evostick Premier status)
- Football Foundation Community Facilities Fund (around £375,000)
- Sport England Sustainable Community Sports Hub Fund (between £200-500,000)

We have held initial discussions with both the Football Foundation and Sport England at regional and national level. We are due to progress these in October and November 2010.

5.3.3 Manchester City Council Capital Contribution

The value of the land on which the site is based is £1m and we are working on the basis that this will be granted to FCUM at a peppercorn rent on a long term lease (minimum 99 years).

The development will also benefit from funding from MCC in the form of a capital grant. FCUM will be both regenerating the site and improving community provision in the area as well as taking on the responsibility of delivering what is currently delivered with a sizeable subsidy (£120,000 per year) by Serco. The figure, subject to agreements, is £650,000 although further discussions and negotiations between FCUM, MCC the Manchester Sports and Leisure Trust and New East Manchester are ongoing.

5.3.4 Outline Funding Summary and Indicative Timetable (excluding site acquisition)

Source	Amount	Timetable
FCUM community shares	£1.5m	November 2010
FCUM Development Fund	£0.5m	December 2010
Football Foundation SIF	£0.15m	Bid Autumn 2010
Football Foundation Community Facilities	£0.375m	EOI submitted Bid autumn 2010
Sport England Community Sports Hub	£0.2m	Bid November 2010
Other grant income	£0.125m	October 2010
Manchester City Council grant	£0.65m	Finalised Autumn 2010
Total	£3.5m	

6. Trading Projections

6.1 Trading Account Summaries 2006-2009

	2006	2007	2008	2009
	£000's	£000's	£000's	£000's
Turnover	730,274	604,025	526,886	504,283
Cost of Sales	(124,404)	(143,385)	(103,787)	(112,194)
Gross Profit	605,870	460,640	423,099	392,089
Administrative Expenses	(370,241)	(542,314)	(482,341)	(401,752)
Profit / (Loss) Before Tax	235,629	(81,674)	(59,242)	(9,663)

In each of the last three years the Club has suffered a loss this is largely due to set up costs and the ongoing drain on resources arising from the groundshare arrangements with Bury FC. These losses have been financed out of the significant resources introduced by the members. It has, however, long been recognised that for the Club to have a sustainable future it needs to be in a greater degree of control over its own destiny. The relocation to its own ground and the resultant impact that this is expected to have, would allow the Club to further expand its relationship with its members and to greatly improve its financial stability and sustainability but in such a way as enabling it to offer more facilities and services both to the members and to the wider community.

6.2 Future Trading Projections

It should be noted that the forecasts outlined here have been made from the full extent of available knowledge to date. These have been made with FC United's auditors, Tennon and have been scrutinised by the city council. The figures include no assumptions about continued promotion or progress in cup competitions and whilst this does not mean that there is a lack of ambition on those fronts, the forecasts are made on a very cautionary basis.

The prime change in the trading position will result from the Club having its own facilities and being able to secure additional income from the use of this resource. The additional turnover arising from the relocation is as follows:

- A modest increase in the average home gate and season ticket revenue as a result of the members and supporters having a closer affinity with the Club at its new Manchester based location.
- The ability of the Club to increase its revenue for each game by being able to benefit from profits on catering sales as well as the increased spend expected from higher gates.
- The ability to secure sources of revenue not presently open to the Club such as perimeter advertising, club, ground and stand sponsorship, income from events that can then be staged at the stadium
- Hire of the pitch and function rooms as well as the sports hall.
- The cost base will inevitably change with the new stadium as the Club will become responsible for costs that had traditionally been met in full by its landlords.

Provisional financial projections have been prepared to cover the first 3 years of occupancy with a summary of the forecast trading results detailed below.

6.2.1 Gate Receipts and Season Tickets

Projections for income from gate receipts and the assumptions made are presented below, based on available knowledge as at November 2009. It should be noted that we have not budgeted gate income for cup games or friendlies as a matter of prudence.

Year / League	Gate Receipts Total	Rationale /Assumptions
Year 1 (New Ground)	£274,000	<ul style="list-style-type: none"> • Uplift of gate (new ground) by 20% to 2,640 • 50/50 split gate/season tickets • 21 home games per season • Average ticket price of £5 (Net of VAT: £8, £5, £2))
Year 2	£333,000	<ul style="list-style-type: none"> • 2,640 gate average, uplift by 10% to 2900 • 21 home games per season • Average ticket price of £6 (Net of VAT: £10, £5, £2)
Year 3	£384,000	<ul style="list-style-type: none"> • 2,900 gate average, uplift by 5% to 3,045 • 21 home games per season • Average ticket price of £6 (Net of VAT: £10, £5, £2)

6.2.2 Sponsorship

The projected outturns for sponsorship income are outlined below. There is a significant initial uplift given the additional sponsorship opportunities that the new stadium will give us as well as a more modest increase the following year based partially on a target of achieving Conference North status.

Year	Projected Sponsorship Income	Rationale
Current	£52,000	Based on 2009 actual
Year 1	£62,000	20% uplift, new stadium
Year 2	£65,000	5% uplift, Conf Nth status
Year 3	£68,000	5% uplift

6.2.3 Merchandising

The projected outturns for merchandise income are outlined below. We have a projected increase in this financial year (2010) 20% above last year's figures, given known income to date. Future projections are in line with crowd figures

Year	Projected Merchandising Income	Rationale
Current	£75,000	Projected turnover for this year 20% above 2009 actual, based on known results to date.
Year 1	£90,000	20% uplift, new stadium and increased footfall.
Year 2	£99,000	10% uplift, increased footfall.
Year 3	£104,000	5% uplift, increased footfall

6.2.4 Donations

The projected income from donations is summarised in the table below. It should be noted that these are donations outside of the Development Fund (stadium capital). Donations for Year 1 and 2 are reduced by 20% from 2009/10 actual figures due to the fundraising saturation of supporters and priority for capital fund raising and these figures are maintained for following years.

Whilst it is envisaged that the new stadium will bring new supporters and an increased appetite to assist the promotion, increasing fundraising efforts, for the purposes of prudence this has not been reflected in the projections.

Year	Projected Donations Income	Rationale
Current	£125,000	Projected turnover for this year
Year 1	£100,000	Projected outturn for this year 20% below 2009
Year 2	£100,000	Increased crowds will maintain levels
Year 3	£100,000	Increased crowds will maintain levels

6.2.5 Programme Sales and Other Income

A summary of projected programme sales and other income is shown below, based on assumptions already detailed based on 2009 figures. NB Other income includes club events, membership fees.

Year	Projected Programme Income	Projected membership & Other Income	Rationale
Current	£36,000	£43,000	Projected out turn
Year 1	£43,000	£24,000	<ul style="list-style-type: none"> Programme & Membership 20% uplift for 2011 based on crowds Functions income accounted for in New Stadium Figures below
Year 2	£47,000	£26,000	10% uplift in line with crowds
Year 3	£49,000	£28,000	5% uplift in line with crowds

6.2.6 New Stadium Building Income

The new stadium building offers us a number of opportunities to develop new income streams. These include:

- Match day alcohol, food and beverage
- Non match day functions income
- Advertising
- Conference Room Hire
- Other room hire

Together these will ensure the sustainability of the club and underpin the business planning outlined in our detailed costings. Whilst again we have been very conservative with our predicted growth, we present below the income for the first year of stadium occupation. In the second and third years of stadium occupation an across the board increase of 5% has been applied to the figures.

Source of Income	Year 1 in new stadium	Rationale
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Match day Food & Bev Income	£198,000	Based on an average spend of £3 per head on 25 match days. This is based on a survey of 60% of our supporters that indicated an average spend per head of £9 in total on food, alcohol and beverages and as such is 30% of this figure, for prudence and likely spending at other non-stadium outlets.
Advertising	£12,000	Local advertising on the pitch hoardings and stand advertising.
Conference Room Hire	£7,000	Based on a monthly hire of 4 half days (£100) and 1 full day (£150).
Room Hire / Functions	£24,000	Based on existing FCUM functions attracting a profit of £18,000 and a hire out of the room for other events as follows: <ul style="list-style-type: none"> • £100 Room Hire • Average attendance of 150 • £6 per head spend at 50% margin • 10 hires in year one.

6.2.7 New Community Facility Hire Income

The community sports facilities are an essential element of the delivery of benefits to the local community and for the club to realise its community development ambitions. However, it will also be an important revenue generator that will contribute to the overall sustainability of the club and allow reinvestment in FCUM's Community Programme.

The projections below are based on a modest usage of 20% occupancy in Year 1, 33% Year 2 and increasing to 50% usage of the facilities in Year 3 as knowledge, marketing and promotion of the site increases. We feel that this is both prudent and realistic.

Source of Income	Year 1	Year 2	Year 3	Rationale
Sports Hall Hire	£21,000	£35,000	£53,000	Assuming the Sports Hall only reaches 20% capacity in Yr1, 33% Yr2, 50% Yr3
Artificial pitch hire	£43,000	£72,000	£109,000	Assuming pitch only reaches 20% capacity in Yr1, 33% Yr2, 50% Yr3

6.2.8 Overheads

The cost base of the business has been based on the 2009 results along with the budgets going forward. The main changes are as follows:

- In Year 1 FCUM will need to increase staff costs in order to run the facility effectively and costs will increase as a result of this.
- In Year 1 the rent of playing facilities will cease as FCUM will have their own stadium and as such this will no longer be a cost line.

A summary of running costs and staff overheads is provided below.

Staff Costs

Cost Item	Current	Year 1	Year 2	Year 3	Rationale
Direct Wage Costs					- Increased playing costs Yrs

Players, coaches Security, stewards and admin	£104,000 £40,000	£128,000 £78,000	£163,000 £84,000	£163,000 £84,000	3,4,5. - New site includes admin, security and stewards.
Staff Salaries Management	£60,000	£70,000	£70,000	£70,000	Increased responsibilities of new stadium.
Facilities Staff		£110,000	£110,000	£110,000	Facilities staff.
Total Staff Costs	£204,000	£386,000	£427,000	£427,000	

It should be noted that:

- i) The ground will require additional administrative support and it is proposed that there should be an on-site security presence. Promotion to Conference North could see policing costs.
- ii) The playing and coaching budget in Year 1 is raised by 20% plus a further increase in Year 2 of 20%. If promotion is not secured in either of these years there will not be significant increases.

Ground Costs

These costs are based on known costs at other clubs at similar level. Rates costs are estimated.

Cost Item	Year 1
Pitch maintenance	£25,000
General maintenance	£25,000
Rates	£18,000
Water	£15,000
Electricity	£15,000
Heating	£8,000
Insurance and Licences	£10,000
Total Other Costs	£116,000

RPI

In year 2 and 3 an increase of 3% across the board has been applied to the above figures for inflation.

6.3 Summary Net Profit / Loss

A summary table for the net profit and loss is provided below indicating the hugely positive impact that this development will have on business sustainability.

	Current predicted	Year 1	Year 2	Year 3
Turnover	£559,000	£898,000	£1,035,000	£1,178,000
Overheads	£543,000	£845,000	£830,000	£855,000
Contingency 5%	£	£43,000	£52,000	£53,000
Operating Surplus	£16,000	£98,000	£154,000	£270,000

Provision for Community Shares repayment from Year 4		£90,000	£100,000	£130,000
Profit/Loss	£16,000	£8,000	£54,000	£140,000

7. Key Benefits of the Project

The directors of FCUM have identified the benefits of the Project for a number of areas:

- To FCUM itself, its members and supporters
- To Manchester City Council and the wider community

7.1 To FCUM

The development of the facility will ensure the sustainability of the club by:

- Providing new income streams
- By maximizing existing income streams
- By reinvestment of existing income levels in our own asset
- By ensuring expansion is possible
- By fulfilling the Club's community obligations

Achieving a home for the club is absolutely critical to the Club's future. By siting this in Manchester, with excellent transport links from the city centre, it will maximize the ability of the FCUM fan base to access home matches, currently played some miles out of the city in Bury.

By siting the ground near a resident local population, with which the club intends to connect, engage and provide new improved services, creates opportunities for increasing this fan base.

The facility will also allow the Club to significantly expand their earning potential having access to sources of income that are presently not available as indicated in section 6.

7.2 To Manchester City Council and the Local Community

To Manchester City Council the main benefit is to generate better value on what is accepted to be an underperforming and declining facility. Specifically it will provide:

- to the people of Newton Heath, an enhanced sports facility to encourage increased participation in football and sport, with associated health benefits, at a facility for which there is no capital or development plan;
- to the Newton Heath area by providing new investment and development, with some new job creation, as well as increased footfall and spending in the area;
- to the area, new, non-sporting community facilities within the stadium itself;
- in addition it will provide attractive facilities for prospective employees of adjacent employment areas
- to the people of Manchester by providing real cost savings to the council long term.

The development will mark the first major new investment in that area and can act as a catalyst for the regeneration of the wider Jackson's Brickworks site which has remained undeveloped for over a decade. In particular, the approach of FCUM to its community obligations means that core priorities for the city in terms of improving health and physical activity, engaging and helping young people develop, and in providing income and jobs to the area, will be addressed.

8. Risks

The risks of the project fall into 2 categories:-

- i. Those risks associated with the project for the construction of the facility proceeding.
- ii. Those risks that will arise if the project does not proceed.

i) Construction and Use

Whilst every attempt will be made to minimise the risks if the project were to proceed there will inevitably remain issues:

a) Of most significance is an overrun of costs so that the level of funding that will be secured will be insufficient to meet the total costs of the turnkey project.

Mitigation: We are closely monitoring and revising cost estimates in light of design work undertaken and will reduce the project output to meet any revised budget. Phasing some of the work is also a feasible way for us to maintain budget targets.

b) An inability to raise the entire funding package so that the plans for the stadium and leisure facility will be compromised.

Mitigation: Prioritising work on grant applications and identification of a number of backup sources of funding.

c) The running costs of the stadium being higher than anticipated and in excess of those budgeted.

Mitigation: The first line of mitigation has already been undertaken in that great care has been taken in assessing the likely running costs of the facility, we have been conservative with regards to income generation and a contingency figure is included in the calculations to cover replacement and unforeseen costs. However should this prove to be inadequate it would be our intention to reduce and restrain running costs at a manageable level and develop the revenue from commercial hire of the catering and function facilities.

d) The projected up lift in revenue from the stadium project does not materialise.

Mitigation: Whilst every care has been taken to be prudent in calculations and cautious in estimates on crowd numbers, consideration has been given to the possibility of no increase in crowds from existing attendance figures which would see a reduction in profit in Year 1. Additional revenue streams are being considered but are not detailed here, such as use of the ground by the reserve team of another club; and sub letting of facilities to other sport related businesses. Furthermore playing budgets can be held at current levels.

e) A risk to both the council and FC United is a failure to deliver the community use outputs (for the council to achieve public benefit and for the club to meet its company objects).

Mitigation: Conditions will be written into the lease for the site to guarantee levels of community use. Robust and regular monitoring and evaluation of community use by the club with independent verification by a community facility management board will underpin this.

9. Corporate Governance

9.1 Existing Club Governance and Parties

FC United are an Industrial and Provident Society established under the Industrial and Provident Societies Act 1965. The Club is an existing community benefit IPS with powers wide enough to be able to carry out the stadium development and run the stadium (although some revisions to the constitution might be needed to permit some methods of raising capital.)

The club's Objects are as follows:

- To strengthen the bonds between the Club and the community which it serves and to represent the interests of the community in the running of the Club;
- To benefit present and future members of the community served by the Club by promoting encouraging and furthering the game of football as a recreational facility, sporting activity and focus for community involvement;
- To ensure the Club to take proper account of the interests of its supporters and of the community it serves in its decisions;
- To further the development of the game of football nationally and internationally and the upholding of its rules;
- To promote, develop and respect the rights of members of the community served by the Club and people dealing with the Club as set out in the Charter of Fundamental Rights of the European Union, having regard in particular to the need to provide information to members and conduct the affairs of the Club in accessible and appropriate ways.

The club has an elected board of 11 members. Directors serve a term of two years before they need to seek re-election. Half of these (6 or 5) are re-elected each year. The Rules of the IPS are available at:

<http://fc-utd.co.uk/constitution.php>

The Club has around 2,500 members who each own one nominal share in the company.

The other key partner is Manchester City Council.

9.2 Corporate Governance of the Facility

9.2.1 Key Considerations

Careful thought is being given to the ideal corporate structure for the new development and in particular how this interacts with the existing structure and corporate governance. The management team have taken and are taking specialist advice from Cobbetts on the most effective structure which needs to meet a number of key considerations and the following is based on that advice.

The key considerations are:

- i. It seems likely that the project will be taken forward with a mix of public and private sector funding and it is anticipated that there will be some need to raise

- capital. For the purposes of taking the project forward, however, the key relationship is that between FCUM and MCC.
- ii. The interest of the Council in the stadium will be in delivering improved facilities for local people and securing the maximum possible use by the community and the associated benefits that will bring. The Council also has a planning regulatory role in relation to the stadium.
 - iii. A number of aspects of the company structure, timing of transactions and the legal documents will be influenced by the precise funding structure used and tax considerations, specifically VAT.
 - iv. The Club need to ensure as far as possible the ability to reclaim the VAT suffered on the development and construction costs and future trading expenditure.
 - v. Although the site is currently owned by a charity (the Manchester Leisure Trust) and much of the activity on the site could be defined as charitable, the inclusion of a football ground used for commercial purposes, and the operation of a football team on an elite basis mean that charitable status may be difficult to justify.
 - vi. Securing the asset for its intended purpose is vital for the Club and Council, long term - i.e. some form of 'asset lock' seems sensible.
 - vii. The possibility of the Club gaining domestic rates exemption or relief on the site of the stadium and associated facilities.
 - viii. The demands of the funding bodies and lenders.

9.2.2 Appropriate Structure

As a matter of principle, the structure for the project should be as simple as is possible consistent with the delivery of the aims of the parties. The Club is working on that basis taking into account what it understands to be the wishes of MCC as they have been expressed to date.

Given that FCUM will be the lead and anchor user of the stadium development and that all the proposed activity falls within FCUM's existing objects, it would seem sensible that FCUM should be given responsibility for delivering the benefits which the parties intend the stadium to deliver.

FCUM is also, as a community benefit IPS, an appropriate recipient of grant funding and a potential vehicle for raising capital. Grant applications and capital raising could be done on the basis that FCUM will receive the money and use it in accordance with its objects to deliver community benefits through the stadium.

If this approach is adopted, care will be required in establishing the means by which MCC will have confidence that its aims for the community will be achieved. The obvious starting point is that MCC will retain the freehold of the land on which the stadium is built and will have rights under the legal agreements entered into in connection with the development and occupation of the stadium.

A key question is what rights MCC should have in the event of any default by FCUM; in this context a spectrum of options exists from claims in damages to a right of forfeiture although this needs to be within a context of given undertakings/work by FCUM. There may be some limited circumstances in which forfeiture might be appropriate but in

relation to the central commitments about community benefit a more focused approach is desirable.

The desired community outcomes should be articulated and translated into a protocol for the use of the stadium to which FCUM will be legally committed. MCC's rights in the event of default would be set out in the occupation agreement.

In order to avoid the need for early resort to any 'nuclear option', we would suggest that FCUM's adherence to the protocol should be subject to review by a monitoring board reporting to MCC on which stakeholder groups and local communities would be represented.

Expert project management support is being employed for the development project and professional management of the stadium may also be sensible.

As such, as the charitable model is not, as it seems, appropriate, the simplest solution to governance of the site appears to be:

- v. A legally binding agreement between the Council and FC United of Manchester to ensure the community use of facilities with a scale of actions should this be broken in any way;
- vi. Ultimate responsibility resting with the board of the community benefit IPS;
- vii. Some form of asset lock to prevent/discourage the potential of the Club being sold or 'carpet bagged'
- viii. A Monitoring Board with both Club and Council represented to regularly oversee the community use of the site and ensure the delivery of usage outlined in the Community Use Plan.