

Skilz Academy's 3G Pitch Development – Business Case

March 2019

An overview of Skilz Academy's plans for financial sustainability as they relate to our proposals to acquire land through a Community Asset Transfer process and develop a 3g pitch on the current astroturf pitch located in the grounds of Arbroath Sports Centre.

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Skilz Academy's 3 g Pitch Development – Business Case

The following is an overview of Skilz Academy's plans for financial sustainability as they relate to our proposals to acquire land through a Community Asset Transfer process and develop a 3g pitch on the current astro turf pitch located in the grounds of Arbroath Sports Centre. Critically, this assessment relates solely to the 3g pitch project and does not include income and expenditure for the core running of Skilz Academy.

Proposed Usage

The proposal is for the pitch to be available between 9am – 10pm, 7 days a week.

Usage by Arbroath High School - Assuming an arrangement with Arbroath High School, the school (and other educational establishments) will have access to the pitch during term time between the hours of 9am – 4pm Monday to Thursday and 9am -1pm on a Friday.

Usage by Skilz - It is estimated that Skilz will run classes on the pitch for an average of one hour a day during school term times and 2 hours a day on the weekend. During holidays, Skilz will run classes for an average of 2 hours a day midweek and will not use the pitch at weekends.

External Hires – Out with of usage by the High School and Skilz, the pitch will be available for external hires to organisations. It is currently projected that the pitch will be available for external hire during term time for 5 hours a day midweek and 11.5 hours a day at the weekend. During school holidays it is projected that the pitch will be available for external hire for 11 hours a day midweek and 13 hours a day at the weekend.

Table 1. Proposed Usage

School Term Time	Opening	Closing	Number of Hours Open	Available for school use	Usage by Skilz	Available for External Hires
Mon - Fri	9:00 AM	10:00 PM	13 hrs	7 hrs	1 hr	5 hrs
Sat - Sun	9:00 AM	10:00 PM	13 hrs	0 hrs	1.5 hrs	11.5 hrs
School Holidays	Opening	Closing	Number of Hours Open	Available for school use	Usage by Skilz	Available for External Hires
Mon - Fri	9:00 AM	10:00 PM	13 hrs	0 hrs	2 hrs	11 hrs
Sat - Sun	9:00 AM	10:00 PM	13 hrs	0 hrs	0 hrs	13 hrs

Demand for the pitch

Arbroath is the largest town within Angus with a population of 31,898 (Figures from Arbroath & Area Locality Plan 2017) and is the only major town in Angus where the general population cannot access an affordable, safe and modern astroturf surface year round. This is having a detrimental outcome

for those local groups and individuals who would utilise a surface that is available in all weathers, year round.

Skilz Academy has made contact with a number of local organisations, sports clubs and members of the community and there has been an overwhelming level of expressed need for the development of a 3g pitch in the town. At present, potential users must travel large distances to use sports facilities such as the one planned. Other similar facilities in Angus are regularly booked and the only other surface similar to this within the Arbroath geographical area is the one that is located within RM Condor. This pitch is constantly booked but is only accessible by car and is located on an active military base restricting access. As a result, large portions of our community cannot access nor afford to access the surface. We have collated numerous letters of support for this project from members of our community which demonstrates real tangible support for this project.

Skilz will be the custodians of the pitch, however this will be a community venture and the pitch will be an open and available for all of Arbroath and the surrounding areas. We expect a number of users for the pitch, including:

Local Football Clubs – Arbroath has a number of school, youth, pub, amateur and junior clubs and with no 3G pitch in the town it is expected that this this facility will be in high demand. Our main focus towards this market group will be towards promoting our Saturday and Sunday and evening lets midweek. In addition, the pitch would be available for hire for Arbroath FC for training.

General Use by the Public – The facility will be advertised to the general public. Within the pitch design, opportunities will exist for cross pitch 7-a-side lets. This market will be important during the summer months when it is projected there will be a reduced demand for the facility due to this period being out with the usual club playing season. Skilz will explore the feasibility of launching a summer 7/5 a side league.

Local Schools and College – With the proposed 3g pitch sitting within the High School's grounds; the pitch will be available for them to use during school hours at a reduced price. The High School have expressed their support for the proposed project. In addition, the pitch will also be made available to other schools in the town and Dundee and Angus College.

Other Local Sports Clubs and Organisations – The 3g pitch will be available for hire for other sports including Arbroath Rugby Club, Arbroath Athletics Club and Arbroath Cricket Club.

Community Organisations - The pitch will also be made available for organisations involved in youth engagement and diversionary activities, disability sports and organisations involved in sporting participation in order to promote healthy and active lifestyles.

Local Price Benchmarking

The following is a current snapshot of pricing for similar facilities across the Angus.

Venue	Full Pitch		1/2 Pitch	
	Full Rate	Concession	Full Rate	Concession
The Condor	£130.00	£65.00	£65.00	
Forfar Athletic FC, Forfar	£110.00	£60.00	£60.00	£40.00
Angus Council	£105.50	£59.50	£67.00	£38.00
Montrose FC	£80.00		£45.00	
Webster High School, Kirriemuir	£105.00	£59.50		

Pricing Structure

In benchmarking against similar local facilities across Angus; the initial proposal is to price the pitch at £60 per hour. This £60 per hour rate is being used as an average hire rate for the pitch. As the project develops a full and variable pricing structure will be developed that will be dependent on a number of factors including:

- Time of year.
- Time of day.
- Any requirement for floodlights.
- Rates for community v commercial usage.
- Full pitch hires v 1/2 cross pitch hires.
- Recurring bookings v one off bookings.

The £60 hourly rate will be used at this stage for the purposes of developing outline financial projections. These prices will be net of VAT as Skilz Academy's VATable income will be below the VAT threshold (the VAT threshold is currently £85,000).

Usage Rates – External Hires

	Available hrs Mon - Fri	Available hrs Sat - Sun	Projected hrs Usage Mon - Fri	Projected hrs Usage Sat – Sun	Bookings Per Week	Annual Bookings
School Term Time	5 hrs	11.5 hrs	3 hrs	4 hrs	16 hrs	897 hrs
School Holidays	11 hrs	13 hrs	1.5 hrs	1.5 hrs	10.5 hrs	136.5 hrs
					Total	1033.5 hrs

Financial projections have been based on a conservative usage estimates using the following assumptions:

- An average of 3 hours per day of external bookings between Monday – Friday during school term time.
- An average of 4 hours per day of external bookings on a Saturday and Sunday.
- An average of 1.5 hours per day of external bookings between Monday – Friday during school holidays.
- An average of 1.5 hours per day of external bookings on a Saturday and Sunday during school holidays.
- On the basis of the above, 1033.5 hours of external hires per year.

Financial Projections

Income Projections

Income projections include a combination of pitch utilisation rates and pricing structure. An income of £62,010 in year 1 of the operation (1033.5 hours x £60 per hour) has been projected. A 2% inflationary increase in pitch charges has been built into the pricing structure. At this point, no contribution from the school has been assumed in the income projections.

Projected Expenditure

The following table outlines projected expenditure items accompanied by notes describing the rationale behind the individual cost items. An inflationary increase in costs has been set at 2% annually. Projected costs are outlined fully in the 8 year Profit and Loss and Cash Flow Statements.

Expenditure	Notes
Staffing	Costs to cover staffing for the running of the pitch. This could be for dedicated staff or for a contribution towards staff employed by the core charity.
Annual Maintenance	To cover the costs associated with appointing a specialist

Contract	maintenance contractor for the more onerous aspects of 3G pitch maintenance, usually three or four visits per year.
Equipment Replacement	This will cover any replacement sports equipment such as goalposts or nets.
Pitch Testing/Inspection	Relates to the performance test of the 3G pitch
Regular Maintenance	This is the cost related to the aspects of the general daily/ weekly maintenance regime this will be undertaken by Skilz by volunteers or staff.
Sinking Fund	An investment fund for the replacement of the synthetic surface at the end of its serviceable life.
Training	Training for staff in the use of the tractor to conduct regular maintenance of the pitch.
Insurance	Insurances required for the 3g pitch.
Floodlighting lamp replacement	This covers the spot replacement of lamps as required, with the complete replacement in year 5.
Floodlighting Maintenance Cost	To cover a maintenance contract with a specialist after completion of the defects liability period.
Floodlighting Utilities Cost	The costs of the electricity supply to the floodlights. This has been estimated at £2 an hour for 500 hours a year.
Online payment system	Subscription costs for the online booking and payment system
Miscellaneous	This will cover additional expenditure items such as volunteer expenses and marketing costs.

Sinking Fund

It is considered that a 3G pitch has a life span of approximately 8-10 years depending on factors such as pitch type and quality, usage and maintenance. Skilz intend to establish a sinking fund in order resurface the pitch. It is estimated that resurfacing costs will be between £180,000 and £200,000. The business case is predicated on the principle that Skilz will be in a position to resurface the pitch through its own income generation and will not be reliant on external grant funding to do so. As such, Skilz, will invest £20,000 into a sinking fund every year beginning in year 1 of the project.

Staffing

An estimated staffing budget of £10,000 per annum has been projected for the running of the 3g pitch. This includes salary costs for staff directly involved in the running of the 3g pitch and/or for a contribution towards staff for the core charity. Staffing costs will cover management and administration tasks and basic janitorial tasks including set-up, general maintenance and cleaning.

Online Bookings System

An internet based booking system will be installed. This ICT based system will provide information to potential users on the availability of the pitch throughout the whole season as well as streamlining their booking and payment processes and will allow them to detail their booking requirements. Recurring bookings will involve direct debit payments/transfers and online bookings will require

clubs to pay for the facilities in advance of using them. This will ensure effective credit control and will cut down the time required chasing payments.

Loan Finance

The financial projections have been developed on the basis that a loan will be required from a social investment lender to complete the funding package. In the assumptions, a loan of £100,000 repayable over 8 years with an interest rate of 8% has been projected. The funding strategy is based on raising the capital required to develop the 3g pitch from grant funding sources; however, loan finance will be a viable contingency.

Projected Profit and Loss

Income Projections	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Pitch Hires	£62,010	£63,250	£64,515	£65,806	£67,122	£68,464	£69,833	£71,230
Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Staff Costs	£10,000	£10,200	£10,404	£10,612	£10,824	£11,041	£11,262	£11,487
Annual Maintenance Contract	£0	£5,000	£5,100	£5,202	£5,306	£5,412	£5,520	£5,631
Cleaning	£0	£0	£0	£0	£0	£0	£0	£0
Equipment Replacement	£0	£2,000	£2,040	£2,081	£2,122	£2,165	£2,208	£2,252
Pitch Testing/Inspection	£0	£0	£0	£2,500	£0	£0	£0	£2,500
Regular Maintenance	£0	£0	£0	£0	£0	£0	£0	£0
Sinking Fund	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000
Training	£1,000	£0	£0	£0	£0	£0	£0	£0
Insurance	£300	£306	£312	£318	£325	£331	£338	£345
Floodlighting lamp replacement	£0	£0	£0	£0	£0	£0	£0	£0
Floodlighting Maintenance Cost	£0	£800	£816	£832	£849	£866	£883	£901
Floodlighting Utilities Cost	£1,000	£1,020	£1,040	£1,061	£1,082	£1,104	£1,126	£1,149
Online payment system	£600	£612	£624	£637	£649	£662	£676	£689
Miscellaneous	£1,000	£1,020	£1,040	£1,061	£1,082	£1,104	£1,126	£1,149
Loan Repayments (Interest only)	£7,664	£6,892	£6,056	£5,151	£4,170	£3,108	£1,958	£713
Total Expenditure	£41,564	£47,850	£47,433	£49,455	£46,411	£45,794	£45,098	£46,815
Profit and Loss	£20,446	£15,400	£17,082	£16,350	£20,711	£22,670	£24,736	£24,415
Cumulative P&L	£20,446	£35,846	£52,928	£69,278	£89,989	£112,659	£137,395	£161,810

Annual profit and loss projections over the 8 year period show recurring profitability from year 1. In addition, the annual costs include a £20,000 per annum payment that will be made into a sinking fund in order to finance the re-laying of the pitch after an 8-10 year period. The profit and loss projections only highlight the interest repayment aspect of the proposed loan.

Projected Cash Flow

Income Projections	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Pitch Hires	£62,010	£63,250	£64,515	£65,806	£67,122	£68,464	£69,833	£71,230
Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Staff Costs	£10,000	£10,200	£10,404	£10,612	£10,824	£11,041	£11,262	£11,487
Annual Maintenance Contract	£0	£5,000	£5,100	£5,202	£5,306	£5,412	£5,520	£5,631
Cleaning	£0	£0	£0	£0	£0	£0	£0	£0
Equipment Replacement	£0	£2,000	£2,040	£2,081	£2,122	£2,165	£2,208	£2,252
Pitch Testing/Inspection	£0	£0	£0	£2,500	£0	£0	£0	£2,500
Regular Maintenance	£0	£0	£0	£0	£0	£0	£0	£0
Sinking Fund	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000
Training	£1,000	£0	£0	£0	£0	£0	£0	£0
Insurance	£300	£306	£312	£318	£325	£331	£338	£345
Floodlighting lamp replacement	£0	£0	£0	£0	£0	£0	£0	£0
Floodlighting Maintenance Cost	£0	£800	£816	£832	£849	£866	£883	£901
Floodlighting Utilities Cost	£1,000	£1,020	£1,040	£1,061	£1,082	£1,104	£1,126	£1,149
Online payment system	£600	£612	£624	£637	£649	£662	£676	£689
Miscellaneous	£1,000	£1,020	£1,040	£1,061	£1,082	£1,104	£1,126	£1,149
Loan Repayment	£16,964	£16,964	£16,964	£16,964	£16,964	£16,964	£16,964	£16,964
Total Expenditure	£50,864	£57,922	£58,341	£61,269	£59,205	£59,650	£60,103	£63,066
Cash Movement	£11,146	£5,328	£6,174	£4,537	£7,917	£8,814	£9,730	£8,164
Cumulative Cash Surplus	£11,146	£16,474	£22,648	£27,185	£35,102	£43,916	£53,646	£61,810

The cash flow projections show that the project will generate healthy cash reserves and the organisation will be able to repay any proposed loan that may be required to finance the laying of the pitch.

Projected Balance Sheet

At the end of the first 8 years of operation the organisation will have a projected sinking fund investment of £171,659 (this is based on achieving an AER rate of 2% interest per annum on the investment) in addition the organisation will have cash reserves of £61,810 and will be in a position to finance the relaying of the 3G pitch. The profit and loss projections, the cash flow projections and the balance sheet highlight the healthy financial position of the organisation and the viability of the proposed 3G pitch development. For the purposes of this balance sheet assessment; the property and asset has been given a value of £0 as Skilz would not be in a position to realise the value of this property and land.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Assets								
Property and Land	£0	£0	£0	£0	£0	£0	£0	£0
Equipment	£20,000	£16,000	£12,800	£10,240	£8,192	£6,554	£5,243	£4,194
Sinking Fund Investment	£20,000	£40,000	£60,000	£80,000	£100,000	£120,000	£140,000	£160,000
Interest from Investment	£0	£400	£1,208	£2,432	£4,081	£6,162	£8,686	£11,659
Cash Reserves	£11,146	£16,474	£22,648	£27,185	£35,102	£43,916	£53,646	£61,810
Total Assets	£51,146	£72,874	£96,656	£119,857	£147,375	£176,632	£207,575	£237,664
Liabilities								
Outstanding Loan	£90,700	£80,628	£69,720	£57,907	£45,113	£31,257	£16,251	£0
Other Liabilities	£0	£0	£0	£0	£0	£0	£0	£0
Total Liabilities	£90,700	£80,628	£69,720	£57,907	£45,113	£31,257	£16,251	£0
Total Equity	-£39,554	-£7,754	£26,936	£61,951	£102,262	£145,375	£191,324	£237,664

Sensitivity Analysis

The pitch would continue to operate profitably in response to a modest decrease in organisational income and/or an increase in organisational costs. As an indication, the following table presents the profit and loss position as a result of a 20% decrease in organisational income combined with a 20% increase (excluding sinking fund and loan repayments) in organisation expenditure.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Total Income	£49,608	£50,600	£51,612	£52,644	£53,697	£54,771	£55,867	£56,984
Total Expenditure	£16,680	£25,150	£25,653	£29,166	£26,689	£27,223	£27,767	£31,323
Sinking Fund	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000	£20,000
Loan Repayments (Interest only)	£7,664	£6,892	£6,056	£5,151	£4,170	£3,108	£1,958	£713
Profit and Loss	£5,264	-£1,441	-£96	-£1,672	£2,838	£4,440	£6,141	£4,949
Cumulative P&L	£5,264	£3,823	£3,726	£2,054	£4,892	£9,333	£15,474	£20,423

Contingency Planning

Financial projections have been developed conservatively, there are potential income sources that have not been included in the financial projections at this stage (i.e. a contribution from the school for exclusive access during the school day) and Skilz are confident in achieving if not surpassing these projections. However, in response to an unexpected drop in income or a rise in expenditure beyond the point at which the pitch would be operating profitably; Skilz could:

- Reduce the annual amount being invested into the sinking fund and extend the period in which Skilz will relay the pitch from 8 to 10 years – which will reduce the sinking fund contribution by £4,000 per year.
- Further reduce the sinking fund payments and secure an additional loan in order to part finance the relaying of the pitch.
- A healthy staffing budget has been assumed; the opportunity would exist to reduce this if required and potentially increase the input from volunteers.