THE FUTURE OF WORCESTER CITY FOOTBALL CLUB

Statement by Lord Faulkner of Worcester

Worcester resident and City supporter Lord Richard Faulkner has made a powerful plea to the City Council to back the planning application to build a new home for the club at Nunnery Way. If they decline to do so, the club’s future existence would be put in doubt.

“It has been a long and tortuous journey,“ said Lord Faulkner, “and whilst there were mistakes made in the past, there is no point in attributing blame and engaging in recriminations. What matters now is that everyone works together to secure the club’s long-term, sustainable future. Having spent many hours looking at all the possible options, I am now convinced that the Nunnery Way option is the only feasible show in town.

“There are several reasons why I have come to this conclusion. It is common knowledge that Worcester City Football Club sold St George’s Lane to Careys New Homes Ltd on 17 December 2010 for a sum of £3,060,580. As part of the sale the club continues to occupy St George’s Lane under a lease agreement with Careys until June 2013.

“In September 2007 the club entered into a contract with St Modwen for the provision of a football stadium at land adjoining Nunnery Way. Under the contract, St Modwen have until September 2017 (or the conclusion of any ‘live’ planning application or appeal submitted before September 2017) to have secured planning permission for the football stadium aspect of the development.

“The funds from the sale of SGL will be paid in two tranches. The first tranche was paid in December 2010 and the vast majority of this sum was used to pay off the club’s creditors (of which a sizeable chunk was paid to the Royal Bank of Scotland to clear the club’s overdraft). The second tranche of £1.266m is payable by Careys on vacation of St George’s Lane in June 2013. However, under the terms of the contract, the second tranche is paid directly to St Modwen to fund land acquisition and development costs at Nunnery Way. The club will not therefore see any of this money unless it can get beyond 2017 and planning permission has not been secured for the stadium at Nunnery Way. Also, until that time (or unless an early release from the contract can be negotiated with St Modwen) none of this money will be available for investment by the club in any alternative schemes.

“In essence therefore Worcester City FC has to vacate St George’s Lane by June 2013 but are bound by a contract with St Modwen for the provision of an alternative stadium at Nunnery Way until 2017. Under this contract, the directors of the club are legally bound to support such a development and cannot actively consider alternative venues. The only - highly improbable - alternative to this scenario would be for St Modwen to release the club from the contract early.

“The planning application has been submitted to Worcester City Council and is currently awaiting consideration. Delays in consideration of the application bring timescale issues into focus as the football club has the added complication of a capital gains tax bill which (unless roll-over relief can be obtained) will crystallise during 2013. To obtain roll-over relief, money from the sale of St George’s Lane must be re-invested in replacement infrastructure within three years (*ie* by December 2013).

“St George’s Lane was sold for £3.060m and unless it can qualify for roll-over relief, the club would be faced with a tax bill of as much as perhaps £500,000, which would need to be settled by December 2013. To avoid that, the second tranche of funds for sale of St George’s Lane (£1.266m) must have been invested in a new stadium before December 2013. The contract with St Modwen ties the club exclusively to the Nunnery Way scheme.

“It is thus of paramount importance that the council grants planning permission for the new stadium without further delay. Some people claim that refusal of planning permission for the Nunnery Way scheme would benefit the club as it would release the club from its contract and allow it to pursue other alternative schemes.

“Unfortunately this is not the case, because of the nature of the contract between the club and St Modwen, as regardless of any planning decision, the club is tied in with St Modwen until 2017. A number of efforts – some formal, some informal – have been made to persuade St Modwen to release the club from the contract, but none has had any effect.

“It is not hard to understand why St Modwen are unsympathetic. Unlike the football club, they have time on their side. If planning permission on the current application were refused they would either appeal the decision or simply revisit the scheme with a view to re-submitting a revised scheme in due course. As long as they secure planning permission for the stadium before September 2017 (or later if there is a ‘live’ planning application or appeal in the system and which was submitted before September 2017) they will have met their obligations under the contract.

“Refusal of the current planning application is likely to result either in an appeal (if St Modwen feel they have grounds to appeal) or re-submission. This would, almost inevitably, take everyone beyond December 2013. Her Majesty’s Revenue and Customs would be likely to take the view that as the £1.266m second tranche remained uninvested, the capital gains tax liability would have crystallised. The implications for the football club if that were to happen would be dire indeed.

“Even though the club is now being run incredibly responsibly – operating on a close to break-even budget – and the team is performing better than at any time in recent history, the contract with St Modwen is so one-sided that the requirement that the second tranche of funds from the sale of St George’s Lane has to be paid directly to St Modwen means that this money could not be used to pay any capital gains tax bill. Only if St Modwen were unable to meet its obligations under the contract would those funds come to the club, and even then, not before 2017.

“There is one way in which the club’s capital gains tax liabilities could be ameliorated, and that is for the gap between the club’s valuation of St George’s Lane and that of the District Valuer to be narrowed – at present that amounts to around £0.5m. I understand that the club is working hard and urgently on this.

“Even putting aside any future tax liability the future is still extremely uncertain. Worcester City Football Club will be without a permanent home until planning permission is granted (or the contract expires in 2017). It will therefore need to find a venue from which to operate and play its matches, either by agreeing a ground share agreement or some other temporary means. Depending on the arrangements which can be agreed, attendances would be likely to diminish, sponsorship etc would fall off and these losses could only be compensated for by a proportionate reduction in the club’s outgoings (including its playing budget). Such an effect on the club’s financial standing would, I fear, threaten the long term viability of the club, certainly in its current form.

“All this leads to just one conclusion: the Nunnery Way scheme is, given the circumstances and contractual obligations the club are under, the only realistic option available.

“I am aware that there has been criticism of the way the design of the stadium has been scaled down. But quite frankly, given the limited availability of funding, the club has had no option but to reduce the specification to the point where it meets the minimum standard required to continue playing at its existing level. Quite rightly in my view, the directors have given an undertaking to their shareholders that it will not support a scheme which risks putting the club back into debt and that is one of the major factors behind the scaled down planning application.

“In the longer term, if planning permission can be secured and the stadium developed by December 2013, the club believes that it could embark upon a series of targeted fund raising initiatives to continue to develop it. In particular, it would look to replacing the modular structures with permanent build features as part of future phases of development.

“For all these reasons, I hope very much that the City Council will approve the Nunnery Way planning application at the earliest opportunity.”