

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet</b>
2.	<b>Date:</b>	<b>8<sup>th</sup> June, 2011</b>
3.	<b>Title:</b>	<b>Long Term Loan Finance in support of Rotherham United Football Club new Community Stadium</b>
4.	<b>Directorate:</b>	<b>Financial Services</b>

### 5. Summary

To consider a formal request of Rotherham United Football Club (RUFC) for a £5m long term capital finance loan from the Council to assist the Club in delivering a new £17.3m Community Stadium in the Town Centre, on the former Guest and Chrimes Foundry Site.

### 6. Recommendation

**Cabinet is asked to approve the provision of a capital loan facility of £5m to RUFC for the proposed investment in provision of a new Community Stadium on the former Guest and Chrimes Foundry Site in the Town Centre subject to the terms and conditions of the loan agreement being to the satisfaction of the Strategic Director of Finance and Assistant Chief Executive (Legal and Democratic) Services.**

## **7. Proposals and Details**

In 2008, RUFC Limited (the old company) was placed into administration. The new company, RUFC Limited, agreed to acquire certain assets and liabilities of the Old Company and made an application for membership of The Football League on the basis that it was permitted to play its home matches at the Don Valley Stadium in Sheffield on a temporary basis. The Football League granted membership to the Club subject to various conditions, in particular that by the commencement of Season 2012/13 the Club were able to complete its home fixtures in a stadium, complying with Football League Regulations, within the Borough of Rotherham.

The Council has been working closely with the Club over the past 18 months to ensure that the membership conditions can be met and the potential regeneration opportunities that a new community stadium would provide the Town can be realised.

Recently, the Club announced its intention to develop a community stadium on the former Guest and Chrimes Foundry Site, adjacent to the new Council Civic Building. The new community stadium will provide a legacy for the future not just for the Football Club, but also for the Town. It will have a 12,000 seated capacity in a stadium bowl design that will incorporate over two floors banqueting, exhibition and office facilities. It will also play a powerful role in the whole community regeneration providing a physical base for community activity, health promotion, partnership working and education, training and employment development.

To support and facilitate the start of this regeneration development and the initial construction works (planned to be on site July 2011) the Council is working with the RUFC to provide a £5m capital loan facility as part of a package of public and private sector financing for the proposed £17.3m stadium. To date, including the proposed £5m Council loan, the Club have identified funding of £15m, leaving a potential financing shortfall of £2.3m. The other identified funding is made up of £3.3m ERDF grant and £6.7m private investment. The Club have been asked to provide evidence to confirm that these funding sources are in place and secure.

The Council would provide access to long term finance under its Section 2 Local Government Act 2000 'Well-being' powers. This is consistent with Rotherham's Community Strategy.

Council officers are working with the Club to explore various options for the security of the loan provided to RUFC. It is proposed that this will be in the form of a Legal Charge over property assets held by businesses owned by the Club's Chairman, A.R Stewart, registered with the Land Registry.

The Council, in accepting any assets as security, will obtain independent valuations so as to gain sufficient assurance that Council funds are fully secured in the event of any future repayment risks.

The repayment of the loan (principal and interest), including the cost of administration and management, will be fully met by the Club when it becomes due over 5 years.

A Loan Agreement supporting the financial arrangement has been drafted and is currently being finalised by each party's legal advisors. The provision of the capital loan facility will be subject to the terms and conditions of the loan agreement being to the satisfaction of the Council's Strategic Director of Finance and Assistant Chief Executive (Legal and Democratic) Services.

## **8. Finance**

The Council will be making a £5m long term loan to RUFC on a Maturity basis. The Club will be required to make six monthly repayments that will equate to the annual revenue cost of servicing the loan. At the end of the 5 year loan term, the Club will be required to repay the balance of the principal outstanding. The interest rate charged will be determined by the date the loan facility is drawn down by the Club as it will reflect the Maturity PWLB rate at that time, including relevant Arrangement, Management and Administration fees incurred by the Council. The Club is currently anticipating that it will need to draw down the loan funding in June 2011.

The provision of this capital loan facility **does not** have any unplanned revenue consequences for the Council's Annual (2011/12) and Medium Term Financial Strategy 2011-15.

## **9. Risks and Uncertainties**

There is always the possibility of not recovering the monies if RUFC becomes unable to repay the monies. Reference has been to RUFC's and ASD Lighting Plcs accounts to establish the level of risk.

In order to protect the Council's interest, the Council is looking to secure its financial commitment in the form of a legal charge over assets owned by ASD Lighting PLC and in an associated pension fund. ASD is a well established, profitable, cash rich business with no long term liabilities.

## **10. Policy and Performance Agenda Implications**

RUFC and the provision of a new community stadium is a unique opportunity to facilitate a major regeneration activity on a derelict site in the Town Centre, that positively contributes to Rotherham's Renaissance. It will also help provide a centre for community regeneration, partnership working, health promotion and education, training and employment development.

## **11. Background Papers and Consultation**

Consultation with:

- the Council's Chief Executive and Strategic Directors of Finance and Environment and Development Services and Assistant Chief Executive (Legal and Democratic Services)
- Karen Thomas – ASD Lighting PLC Financial Director

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