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# **Executive Decision**

## **Leicester Hockey Club**

Decision to be taken by: The City Mayor

Date of meeting: 25 November 2022

Lead director: Matthew Wallace

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### **Useful information**

- Ward(s) affected: Abbey
- Report authors:  
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## **1. Summary**

- 1.1. Leicester Hockey Club has requested a loan of £450,000 to facilitate further development of the water-based pitch at the St Margaret's Pastures site, alongside a S106 funded grant of £350,000. The City Mayor is asked to consider this request.

## **2. Recommended decision**

The City Mayor is asked to:

- 2.1 Consider authorising a loan of £450,000 to Leicester Hockey Club C.I.C. at an interest rate of 5% per annum; and,
- 2.2 If approved, authorise a grant of £350,000, funded by external s106 contributions; and,
- 2.3 If authorised, add the total £800k scheme to the capital programme.

## **3. Report**

- 3.1. Leicester Hockey Club (LHC) is a Community Interest Company (CIC) which has a 25-year lease expiring in 2044 with the Council for sports facilities at St Margaret's Pastures.
- 3.2. The Club is keen to install a water-based pitch. This is a significant investment which would bring a number of benefits, including:
  - Enabling the Club's various teams to compete at a national and international level.
  - Enabling wider diversity, inclusion and access to hockey within child and young people settings across the City. For example, a water-based pitch is not available at mainstream schools in the city, so the majority of City children and young people have no access to such facilities.
  - Increasing the training academy access to children, attracting training exemplars, coaching and mentoring through providing elite water-based facilities and skills.
  - Rejuvenation of hockey outcomes and performance in men's and women's settings. Improving pathways to elite hockey.
  - Enhancing the image of the Club and City by developing St Margaret's Pastures as an inclusive centre for local hockey.

- Consolidating a national and world class level facility in the heart of Leicester and removing reliance on costly third-party private hire of water-based pitch facilities.
- Supporting the ongoing financial viability of the Club.
- Bringing more visitors to the City, with a wider economic benefit.

- 3.3. The improved facilities would also be expected to attract additional income through attracting larger visitor numbers associated with games at this level to the site and through supporters visiting the City. The additional income generated will be used to further enhance the multi-use-games-pitches, pavilion and catering facilities for all sports offers at the site and increase sports participation (including skating and football).
- 3.4. The expected cost of installing a water-based pitch is £800k. This includes the underlying infrastructure and the playing surface itself. The scheme can be supported by a grant of £350k drawing on S106 funding received by the Council from developers specifically for hockey facilities at St Margaret's Pastures. However, this may be lost if the Club cannot raise the remaining funding required of £450k, as the S106 funding is specific and time-limited.
- 3.5. The Club bid to Sport England for grant funding. However, this was refused due to the exclusion of water-based pitches from funding programmes, which could have resulted in more disadvantaged areas applying for funding and setting a precedent.
- 3.6. The Club has reviewed alternative methods of funding including a bank loan; however, these would place too onerous a demand on the lease arrangements for the Council, including the extension of the current 25-year lease to 99 years. A third-party external loan body (such as a bank) would also require the power to sell the lease (at any stage in its 99-year term whilst a loan remained outstanding) to another third-party operator, should a default on their loan agreement occur. The Council would not have any veto as to whom the lease may be assigned and would therefore not agree to such an arrangement. The Club is not able to offer any other guarantees or security.
- 3.7. A water-based pitch is the most appropriate solution nationally and internationally in order to build skills in the sport at a higher competitive national and international level.
- 3.8. The Club has therefore approached the Council for a loan as its landlord; and, due to the Council's interest in sporting facilities, local skills and development. The loan is requested over a 25-year term, and the Council would require interest of 5% p.a., with early repayment permitted.
- 3.9. In conjunction with the discussions regarding a possible loan, the Council and the Hockey Club have also discussed various options around their current Lease. The current lease would not be terminable if the Club defaulted on a loan and their existing term has less than 25 years left to run. Therefore, to afford protection of the loan, the Council would require, at the very least, the existing lease arrangement to be varied to make the current lease forfeitable on loan default, this can be dealt with under existing delegated powers.

- 3.10. The Heads of Terms for the surrender and re-grant of the lease has been agreed in principle with the Club, whereby the Club agrees that it will surrender the leased site back to the Council with a new lease being granted of a slightly smaller area. This will enable additional roller sport facilities to be provided by the Council at St Margaret's Pastures. The additional roller sport facilities at this site both enhances the business opportunities in users using the Hockey Club's facilities – such as the club house, but also enhancing roller sport facilities and skills to the City.
- 3.11. If the Council enters into a loan agreement with the Club, in the event of default, under the agreed lease proposal, the Council would be able to terminate the lease and then determine the future use of the facilities and secure an alternative operator, tenant or use. This provides a useful level of protection, as the Council would recover the site which has been improved by virtue of the grant and loan. It does not, however, guarantee repayment of the loan.
- 3.12. The necessary legal agreements have been agreed to give effect to the grant and loan; and, Heads of Terms have been agreed for the land release/agreed new lease. The proposal is that the Loan Agreement, Grant Agreement and current lease variation and Agreement for surrender and re-grant of a new Lease will be dated simultaneously. The surrender and new lease would then be completed once various planning and flood attenuation conditions have been met.

#### **4. Financial, legal, equalities, climate emergency and other implications**

##### 4.1 Financial implications

- 4.1.1 The proposal is for the Council to make a loan to the Hockey Club of £450k towards the construction of a water based pitch. The Council could fund this loan from prudential borrowing, but if the loan wasn't re-paid (in part or in full) it would have to fund any shortfall from its own resources.
- 4.1.2 The proposed loan would be for 25 years at an interest rate of 5% p.a. There is a facility for early re-payment. The loan and grant will be advanced in stages as works progress.
- 4.1.3 The total cost of the works is estimated at £800k (including contingency) with the balance of cost of £350k to be funded by a grant from a s106 provision for hockey facilities at St Margaret's Pastures. Thus, if the loan was approved there should be no risk regarding the capital funding of the scheme.
- 4.1.4 The Club's business plan has been reviewed and officers are satisfied that it should be able to meet the repayment plan.
- 4.1.5 The Council expects to make a surplus on the loan as the interest rate is greater than that usually received on cash balances. It is however by its very nature riskier than our other treasury management activities.

Nick Booth, Treasury Manager, Finance, Ext. 374063

##### 4.2 Legal implications

#### **Surrender and Re-grant**

Despite the LHC already being LCC's tenant, the proposal to grant a new lease following surrender of the existing lease will be a disposal and the requirements of Section 123 of the Local Government Act 1972 will apply. Under Section 123 of the Local Government Act 1972, the Council is required to dispose of land for the best consideration that is reasonably obtainable in the circumstances. A lease for more than 7 years falls within the definition of disposal.

Best consideration is usually determined by way of an open market exercise which, due to the circumstances of the proposal and the fact that the Club is already a tenant of the Council, has not been undertaken. The Heads of Terms for the proposed new lease (25-year lease; passing rent £20,000 pa with five-yearly rent increases at CPI/MV (whichever is the greater)) may satisfy the best consideration obligations but, without an open market exercise, it is not possible for this to be guaranteed.

The Council is however permitted to dispose of land for less than best consideration in certain circumstances under the 2003 General Disposal Consent for land and property ("GDC"). The disposal must be one which will secure the economic, social or environmental well-being of the area in question in order for the disposal of the property to benefit from the GDC. The undervalue for the purposes of the Consent must not exceed £2m.

The intention here is to dispose of the property on the basis of a one-to-one transaction without open marketing for the purposes set out in this report, and this will therefore need to be in accordance with the Property Disposal Policy Framework. The Executive will need to be satisfied that the disposal accords with the relevant provisions of the Framework relating to exemptions for 1-1 disposals. Without open marketing there is the potential risk that a higher value could be achieved through exposure to the market but that is potentially unlikely due to the limited circumstances outlined above.

Therefore, the Executive will also need to ensure that any disposal is consistent with the powers contained in the GDC. The GDC allows local authorities to dispose of assets at less than best consideration to secure social, economic and environmental benefits where it is considered that these benefits will flow from any such disposal. Therefore, the Council will need to be satisfied on the basis of the information supplied, that the disposal will result in the achievement of the benefits referred to above. This would be need to be monitored through Sport Services via ongoing dialogue with the LHC in meeting their business case.

The Council will also need to ensure that the Council's general fiduciary duty is complied with in disposing of assets in accordance with the GDC or the Disposals Framework. Any new lease will therefore need to contain sufficient provisions (and use restrictions) which will secure the achievement of the benefits set out in this report.

### **Loan**

A loan does not fall within the requirements of Section 123 of the Local Government Act 1972, the GDC or the Disposals Framework. However, the Council's general fiduciary duties will continue to apply. In the event of default of the loan, protection wherever possible has been agreed which would enable the Council, if necessary, to end the lease.

In respect of the proposed loan – the Authority has legal powers to provide the loan as set out in this report. In particular, the General Power of Competence under the

Localism Act 2011 and section 12 of the Local Government Act 2003 are the relevant powers. The proposed award of any loan will be subject to an assessment against subsidy control to ensure compliance and that it can be shown that there is no subsidy.

An appropriate loan agreement to protect the Authority's interest has been drawn up.

Zoe Iliffe, Acting Principal Lawyer, Ext. 372180

#### Grant Agreement

The Authority has undertaken an assessment against subsidy control for the award of the proposed grant funding legal advice has been provided on this together with assistance in drawing up of a funding agreement.

Mannah Begum, Principal Solicitor (Commercial) Ext. 371423

### 6.3 Equalities implications

When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity and foster good relations between people who share a 'protected characteristic' and those who do not. Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The report seeks approval to loan £450k to Leicester Hockey Club CIC. The aim would be for the Club to improve inclusion for Leicester children, adults, and those with disabilities by making improvements to the existing infrastructure. If approved, the project can benefit people accessing and participating in sports in the city from a range of protected characteristics, but it is advised that the project is asked to ensure that any new infrastructure adheres to inclusive design principles to ensure accessibility.

Surinder Singh, Equalities Officer, Ext. 374148

### 6.4 Climate Emergency implications

Following Leicester City Council's declaration of a Climate Emergency in 2019, and the council's ambition for the city to reach net zero carbon emissions by 2030, tackling emissions is a vital part of the council's work, including through its work with partners.

As such, if the loan is provided, the council should consider any opportunities to encourage Leicester Hockey Club CIC to ensure that Hockey facilities at St Margaret's Pastures are sustainable and energy efficient.

Elite and National Hockey is played on water-based pitches, however, the long-term ambitions of the national sports body (the International Hockey Federation) is to ultimately move to more sustainable surface solutions. This would be in a period beyond the life expectancy of this particular water-based surface.

Aidan Davis, Sustainability Officer, Ext. 372284

**6.5 Other implications**

N/A

**7. Background information and other papers:**

N/A

**8. Summary of appendices:**

N/A

**9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?**

No

**10. Is this a “key decision”? If so, why?**

No