

Executive Decision Report

Proposed Loan of £700,000 to Leicestershire County Cricket Club

Decision to be taken by: City Mayor

Decision to be taken on: 3 February 2017

Lead director: Alison Greenhill, Director of Finance



City Mayor

Useful Information

- Ward(s) affected: All
- Report author: Nick Booth (Finance)
- Author contact details: 37 4063
- Report version number: 1

1. Summary

- 1.1 Leicestershire County Cricket Club (LCCC) have approached the City Council to request a loan of £700,000 to help fund the redevelopment of their ground with such a loan to be repaid from the English Cricket Board (ECB). This would replace a previous loan of £1 million granted by the City Council which has now been repaid (earlier than anticipated).
- 1.2 In effect, the terms of this loan of £0.7m are similar to the original £1.0m loan.

2. Recommendations

- 2.1 It is recommended that the City Council agree to loan the sum of £700,000 to LCCC. Such a loan is to be charged at an interest rate of 5% and to be repaid by the ECB directly, conditional upon terms contained with paragraph 3.3 of the report being met. These terms are at the same interest rate as before, and the terms are not materially different from the previous loan.
- 2.2 It is also recommended that £700,000 be added to the capital programme for this loan to be funded by the proposed repayment by the ECB.

3. Supporting Information including options considered

- 3.1 LCCC have plans to undertake redevelopment of their ground which they anticipate will enable them to increase their income from by approximately 25%.
- 3.2 The club have requested that the Council loan them £700,000 rather than borrow the money from their bank. This is to replace the earlier loan of £1 million which has now been repaid in full. It is expected that the Council would probably provide better terms than what a bank would offer.
- 3.3 The proposed loan will be based (like the previous one) on a tripartite agreement between the Council, the English Cricket Board (ECB) and Leicestershire County Cricket Club (LCCC). This agreement will include a clause that states that the ECB will use its reasonable endeavours to repay the City Council on behalf of LCCC by means of a special payment provided that the Cricket World Cup in 2019 proceeds as planned, or (if that didn't

happen) if any other special performance fees were payable to the club. The loan will attract interest at a rate of 5%.

- 3.4 It is understood that Derbyshire County Council have loaned Derbyshire County Cricket Club a sum under similar arrangements with the ECB at an interest rate of 4%.
- 3.5 Whilst this proposed agreement doesn't give a cast iron guarantee to the Council, it does give us considerable comfort that an external body with significant funds (the ECB) has agreed to repay the City Council directly assuming the 2019 World Cup goes ahead as planned or as a fallback, any other special performance fee payable to the club whilst the loan remains outstanding. Clearly, there will remain a risk that neither take place which would put the repayment of the Council's loan in jeopardy, though it is not expected that the World Cup will be cancelled and it has been the practice of the ECB to distribute special performance fees when lucrative TV rights are received such as for World Cups or major test match contests.
- 3.6 Assuming a loan period of approximately 18 months, given the current extremely low interest rates, it is estimated that such a loan will not result in any additional net costs to the Council. It would also be expected that there would be a modest but useful increase in business rates as a result of the development.
- 3.7 As the proposed loan is for capital purposes, this would constitute capital expenditure under current regulations. As such the repayment of the loan would also be classified as a capital receipt. As repayment is expected during the financial year 2018-2019, the Council would be able to defer making minimum revenue provision until then, although if the loan is not repaid then provision would have to be made.
- 3.8. In July 2014 the Council entered into a variation of the covenants over the ground to which the Council enjoyed the benefit. The purpose of the release was to remove obsolete restrictions over the ground and in order to enable the Club to carry out further development, including the development of residential units on part of the ground.

4. Details of Scrutiny

None

5. Financial, Legal and other Implications

5.1 Financial Implications

- 5.1.1 This report is concerned with financial matters. The proposed loan of £700,000 would be funded from a repayment from the English Cricket Board, and thus should not require any capital funding from the City Council.

5.1.2 Interest on the loan is proposed to be charged at the rate of 5% p.a. to the club. There should be no net cost to the Council's revenue budget.

5.2 Legal Implications

5.2.1. The Council has powers to provide loans to third parties. A previous loan, repayment of which this further loan is conditional upon, has been agreed by the parties and will be used again as the basis for the further loan. Though it does not secure the ECB as a guarantor it does secure a commitment from them to repay the loan on the occurrence of certain events. It provides, especially in light of the prompt repayment of the initial loan, sufficient security of the Council's investment.

As advised previously it is very unlikely that, in the event of a default, the council would look to enforce a sale of the ground in order to recoup the loan given the significance of the club as an asset to the city. As such, a charge has not been sought against the club's ground.

5.2.2 As per the previous agreement any such loan may fall within the scope of the state aid rules and in the event of any successful challenge that the loan is in breach of the rules the club would be under an obligation to repay the Council. It is possible the loan will fall outside the scope of the rules on the basis it does not affect trade between member states and on the basis it is a commercial/arms length transaction. State aid has been fully considered and any risk mitigated against prior to the previous loan being entered in to.

Emma Horton Head of Law (Commercial Property & Planning) ext1426

5.3 Climate Change and Carbon Reduction Implications

5.3.1 The loan to Leicestershire Cricket Club to use in redeveloping their stadium is likely to have carbon implications through the materials required and construction works, and further implications through operational energy use of the proposed residential units. If the council are planning to tie in any specific conditions to the loan, it is recommended that these consider energy efficiency measures that can mitigate this.

- Mark Jeffcote, Senior Environmental Consultant x372293

5.4 Equalities Implications

5.4.1 The proposed capital expenditure will support the redevelopment of the ground which will in turn attract more people to attend cricket matches in Leicester. Given the international appeal of cricket which in turn is reflected by the diversity of the city's population, this would contribute to the fostering of good relations between different groups of people – one of the aims of our

Public Sector Equality Duty. This would have a positive impact for the city as a whole, across all protected characteristics.

Irene Kszyk, Corporate Equalities Lead, ext 374147

5.5 Other Implications (you will need to have considered other implications in preparing this report. Please indicate which ones apply)

N/A

6. **Background Information and other papers**

N/A

7. **Summary of appendices:**

None

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

No

9. **Is this a “key decision”?**

No