

<b>Decision maker:</b>	<b>General overview and scrutiny committee</b>
<b>Decision date:</b>	<b>14 November 2016</b>
<b>Title of report:</b>	<b>Edgar Street stadium, Hereford - lease proposals</b>
<b>Report by:</b>	<b>Head of corporate asset management</b>

## **Classification**

Open

## **Key decision**

This is not a key decision.

## **Wards affected**

Widemarsh

## **Purpose**

To enable the committee to consider the options available to the council prior to entering into longer term arrangements on the stadium premises.

## **Recommendations**

**THAT:**

- (a) the committee determines whether it wishes to make any recommendations to the executive to consider regarding the proposed grant of a new lease to the current tenant for a term of 10 years, commencing at some point prior to the expiry the current lease ; and**
  
- (b) a further report is presented to the Committee setting out the long term proposals for the Edgar Street stadium following an appraisal by the football club, council and potential development partners of the options.**

## **Alternative options**

- 1 Not to extend the existing lease to Hereford Football Club Ltd and on termination obtain vacant possession of the stadium and not provide the club with any alternative premises. This is not recommended because the council is committed to supporting the retention of football in the county and without an alternative location being identified the decision to retain the existing lease period would impact on the ability of the club to meet the tenure requirements of the Football Association.
- 2 Negotiate and agree terms for a short to medium term lease to provide the club and the football association with some medium term certainty while exploring longer term options for the club's premises requirements. This option is recommended as it provides a medium term security for the club whilst maintaining longer term flexibility for the council to explore options to ensure that its assets are being used to best effect.
- 3 Not to extend the existing lease and work with the club to identify and deliver a new site and stadium and release the existing site for redevelopment. This is not recommended given the remaining term of the existing lease and planned timetable for securing a development partner.
- 4 Negotiate and agree terms for a long term lease of the stadium to the club. This is not recommended as it would not provide the council with sufficient flexibility to determine future use of its assets in light of options to be identified through the planned development partnership, and may prevent exploration of the options which may be available to the club to secure improved facilities.

## **Reasons for recommendations**

- 5 To enable any recommendations from the general overview and scrutiny committee to be considered by the executive as previously agreed.

## **Key considerations**

- 6 In June 2015 GOSC made recommendations following a review of the lease restructuring which resulted in the grant of a new lease in 2014. A copy of the recommendations and executive response is attached at appendix 1 for ease of reference.
- 7 The options currently available to the council are set out in paragraphs 1 to 4 above. The committee should give due consideration to these and determine whether to recommend one of these options, or any additional options, to the executive to consider before making any further decisions regarding the council's interest in this asset.
- 8 Following the demise of the previous football club at the end of 2014 a phoenix club was formed with the backing of the supporters trust which has an interest in the ownership and governance of the new club. As a result the council entered into a new five year lease on part of the stadium site.
- 9 To date the tenant has made considerable capital investment in the property asset and before further investment is made the tenant needs to understand the council's medium to long term plans for the stadium and willingness to extend the existing lease term.

- 10 The current lease is scheduled to end on 31 July 2020. The grant of a new lease for a term of ten years, would make it more commercially viable for the club to continue its investment programme to improve the building fabric and facilities. Furthermore it would enable the club to bid for grant funding from the Football Association (FA) for capital works to the ground and meet the tenure requirements of the FA to enable progression up the FA leagues. It is anticipated the ten year lease would commence at some trigger date, prior to the expiry of the current lease, that could either be the point at which grant applications are made; the award or acceptance of FA or other funding; or the promotion to a higher FA league and would replace the current five year lease rather than extend it.
- 11 The site is identified in the draft economic master plan as an opportunity to attract investment leading to the improvement of the county's social, economic and physical characteristics. The council is in the process of selecting a strategic development partner and expects to have a preferred partner appointed in 2017. As part of the bidding process all shortlisted bidders are being invited, in consultation with the football club, to submit outline development proposals for the stadium and these will be worked up in further detail during the bidding process and should form part of any delivery programme that the council and its strategic development partner agree to deliver over the programme period which is anticipated to be a minimum of 10 years. The development options will be the subject of a further future report to the overview and scrutiny committee to inform any further decision about the long term future of this site.

## **Community impact**

- 12 There is no community impact arising directly from this report. However, the club is actively involved in a number of community engagement initiatives such as 'Junior Bulls' encouraging club membership and match attendance by under 16s; a designated family stand; 'Disabulls' providing improved access and facilities for disabled supporters; hospital and school visits. The stadium has also been made available to other organisations for major incident training and fire and rescue training and hosting of business and private functions.
- 13 The proposed grant of a ten year lease, will enable the following corporate plan objectives to be met, as the club will continue with its existing community initiatives:
- Enable residents to live safe healthy and independent lives – providing and encouraging participation in sport.
  - Keep children and young people safe and give them a great start in life – the various initiatives for engagement with children and young adults.
  - Secure better services – protecting current revenue income and avoiding additional revenue costs on council budgets.

## **Equality duty**

- 14 There are no equality issues arising from this report.

## **Financial implications**

- 15 There are no financial implications arising directly from this report. However, the preferred option to grant a ten year lease will generate revenue rental income of

£10,000 per annum. The lease will relieve the council of any costs associated with holding a vacant property.

- 16 The lease will be on the same repairing and maintenance terms where the tenant is required to maintain the premises in no worse a condition and minimise any maintenance costs to the council of the leased area during the period.
- 17 Any financial implications of redevelopment or lease restructuring will be set out in subsequent reports. Any extension of the current lease would ensure that the council retains control over the future development opportunity and income that can be derived from that and decisions as to how the proceeds of any redevelopment are allocated will be considered once detailed and costed proposals have been worked up.

## **Legal implications**

- 18 The council has the powers to enter into a lease for a term of ten years at a market rent. The property was openly marketed prior to the grant of the current lease in 2015 and there has been no significant change in market conditions to result in any increase to the current rent.
- 19 When a decision has been reached regarding the future of the site, and following the settling of heads of terms, the preparation and completion of the lease will be overseen by the council's legal department. It is expected to be in a format very similar to the existing lease which already reflects recommendations made previously by the committee, but incorporating any necessary updates or adjustments to ensure the council's interests remain protected.

## **Risk management**

- 20 The grant of a new ten year lease may delay or prevent short or medium term redevelopment of the leased area although this is partially mitigated by excluding the Blackfriars stand from the leased area.

## **Consultees**

- 21 Hereford Football Club Ltd.
- 22 The ward member has been advised.

## **Appendices**

Appendix 1 – Summary of Recommendations and Executive Response to previous GOSC report.

## **Background papers**

None.