

Report of Chief Officer – Financial Services**Report to Deputy Chief Executive****Date: 28th April 2015****Subject: Loan Agreement with Yorkshire County Cricket Club: Granting of Consents**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4(3) Appendix number: A	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

- The Council provided a loan to the Yorkshire County Cricket Club (YCCC) in December 2005 to enable them to purchase the Headingley Cricket Ground. Under the loan agreement, the Club is required in a variety of circumstances to seek the Council's consent or agreement to vary the contract and to enter into new financial liabilities. YCCC have approached the Council seeking consent for an additional loan from a third party (not the Council), and consents related to the erection and third party financing of floodlights at the ground. After assessing the impact of the proposed transactions upon the Council's security and the club's on-going financial ability to repay the Council's loan, it is proposed that the consents requested be granted.

Recommendations

- The Deputy Chief Executive in accordance with delegations granted to him by Executive Board in May 2008 is asked to agree the requested consents under the 2005 loan agreement between the Council and the Club to:
- enable the Club to take on additional borrowings from a third party,
- to enable the Club to enter into an agreement for the financing of floodlights at the Headingley cricket ground,

- to agree to the erection of the floodlights at the ground and
- to agree a limited waiver of the Council's charge on the ground in respect of the installation of the floodlights.

1. Purpose of this report

- 1.1 The City Council provided a £9m loan to Yorkshire County Cricket Club Limited (the Club) at the end of December 2005. The loan agreement places a number of restrictions upon the Club and requires them to seek the consent of the Council to a number of matters.
- 1.2 The Club has approached the Council requesting consent to take on an additional loan from a third party, and consents related to the erection and financing of floodlights at the ground. This report provides information as to the Club's requests and sets out the issues that the Council needs to consider in deciding whether to grant the requested consents under the loan agreement.
- 1.3 The decisions requested in this report are considered to be significant operational ones, and as such are not eligible for call-in.

2 Background information

- 2.1 A £9m loan was provided to the Club in December 2005 to enable them to purchase the freehold of the Headingley Cricket Ground. Through the loan and purchase of the ground, the Club was able to meet the requirements of their staging agreement with the ECB which provides for test match cricket to be played at Headingley up to and including 2019. As at the 1st January 2014, the amount of the Council's loan that was outstanding was £7,407,000 and repayments are up to date in line with the agreed schedule.
- 2.2 The 2005 loan agreement provides the Council with various forms of security, including a first charge over the cricket ground, a second charge over the cricket school and an unconditional shortfall personal guarantee from the Club's then Chairman. In addition, the agreement also requires the Club to obtain the Council's consent or agreement to undertake a variety of actions. In the context of this report this includes matters relating to the Club entering into any new financial liabilities. In May 2008, Executive Board agreed to delegate to officers decisions as to consents or variations under the loan agreement which do not have any impact upon the Council's security or materially impact upon the club's on-going financial ability to meet the repayments of the Council's loan. Decisions as to property matters were delegated to be determined by the Director of City Development and financial matters by the Director of Resources (now the Deputy Chief Executive), in both instances in consultation with each other.

3 Main issues

- 3.1 The Club has now approached the Council seeking consent to an additional loan from a third party to be used to assist the Club's cash flow. Further details are provided in the confidential Appendix A.
- 3.2 The Club is also seeking the Council's consents in connection with the erection and financing of floodlights at the ground. Further details are provided in the confidential Appendix A. As part of the financing of the scheme and at the request of the financing company it is proposed that the Council give a limited waiver of its first charge on the ground in respect of the installation of the floodlights (so that they wouldn't be part of the charged property until such time as the final payment was made). Further details are provided in the confidential Appendix A.
- 3.3 Subject to the above all other aspects of the Council's agreement with the Club would remain as they currently stand, specifically the repayment schedule as agreed by Executive Board and the Council's security in the form of first charge over the cricket ground, a second charge over the cricket school and an unconditional shortfall personal guarantee.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 There has been no external consultation in respect to this report as it is not considered appropriate.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The recommendations deal with variations to and consents under an existing loan agreement and do not have any specific implications for equality and diversity, nor for cohesion and integration.

4.3 Council policies and City Priorities

- 4.3.1 The original decision by the Executive Board in 2005 to provide a loan to YCCC was based upon the desire to retain international test match cricket in Leeds. Whilst this predates the current Vision for Leeds and the Best Council Plan retaining test match cricket is clearly supportive of the Best City ambition through providing world class sport for people to enjoy and by raising the profile of the City.

4.4 Resources and value for money

- 4.4.1 There are no specific resource implications to the Council in granting the requested consents to enable the Club to take on additional loans.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The report contain information relating to the financial or business affairs of third parties and of the Council, and the release of such information would be

likely to prejudice the interests of all parties concerned. Whilst there may be a public interest in disclosure, in all the circumstances of the matter, maintaining the exemption is considered to outweigh the public interest in disclosing this information at this time. It is therefore considered that Appendix A of this report should be treated as exempt under rule 10.4(3) of the Access to Information Procedure Rules.

4.6 Risk Management

- 4.6.1 The requested consents in themselves do not bring with them any additional risk to the Council, in that the additional priorities granted against the security would be behind that of the Council's nor do the consents have any impact upon the repayment schedule as agreed by Executive Board.

5 Conclusions

- 5.1 The Council in making its loan to YCCC in December 2005 did so with the clear objective of enabling the Club to purchase the Headingley Cricket Ground, thus enabling them to meet one of the requirements of their staging agreement with the ECB which provides for test match cricket to be played at Headingley up to and including 2019, and indeed with aim of also ensuring that the Club are able to compete for international cricket beyond this date. The loan agreement requires the Club to obtain the Council's consent or agreement to undertake a variety of actions, including taking on new financial liabilities. The alternative to granting the requested consents, would undoubtedly threaten the Club's ability to trade, and would not only threaten the possibility of test match cricket beyond 2019, but would, should the Club fail, also result in the City losing the test matches which are secured up to 2019. Whilst it is not ideal that the Club have had to take on an additional loan to assist their cash flow they have done this at a relatively low additional annual cost. In addition, it should be noted that the Council's security will not be affected by the granting of the requested consents, and the currently agreed repayment schedule likewise is not affected.
- 5.2 The Club's requested consent to enable them to enter into an agreement with a financing company for the financing of floodlights at the ground is largely funded by grants provided to the Club, and as such represent a limited financial liability for the Club. The Club is of the view that the floodlights will enable them to offer evening 20/20 games which are seen as more attractive to spectators. Moreover, the availability of floodlights is seen as a requirement for both domestic and international games and thus should assist the club in ensuring that the ground remains a venue for international cricket beyond 2019. The limited waiver of our first charge on the ground is seen as reasonable in the circumstances.
- 5.3 Given the above, it is proposed that the requested consents are granted.

6 Recommendations

6.1 The Deputy Chief Executive in accordance with delegations granted to him by Executive Board in May 2008 is asked to agree the requested consents under the 2005 loan agreement between the Council and the Club to:

- enable the Club to take on additional borrowings
- to enable the Club to enter into an agreement for the financing of floodlights at the Headingley cricket ground,
- to agree to the erection of floodlights at the ground and
- to agree a limited waiver of the Council's charge on the ground in respect of the installation of the floodlights as described at para 3.3.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.