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**Report of :** Director of City Development

**Report to :** Executive Board

**Date:** 18 October 2017

**Subject:** Hunslet Rugby League Foundation, John Charles Centre For Sport, Leeds

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	Middleton Park	
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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

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### Summary of main issues

1. Leeds City Council have had a long standing relationship with Hunslet RLFC supporting the club where possible to continue to act as a focal point for the community of Hunslet and surrounding area. Historically the club has occupied a number of different home grounds and officially moved to then South Leeds Stadium (now John Charles centre for Sport) in 1995. Hunslet RLFC currently occupies space at John Charles Centre for Sport, and use the pitch to play their fixtures. Their lease expired in November 2015. They currently occupy space on a Tenancy at Will, which will remain in place until the new lease is entered into.
2. As a club participating in the third tier of the professional game, Hunslet RLFC operate within tight financial parameters. In this context the Council and the Club have looked at potential structures for a new lease and Licence arrangement that recognises the financial sustainability of both parties and taking into account the value of the club to the local community. Accordingly, this report proposes a new arrangement for the club's occupation of the John Charles Centre for sport, which in summary will be based on the following principles:
  - The tenant has exclusive use of the Shop, Office, Pheonix bar and associated storage rooms at the John Charles Centre for Sports it will be granted a 25

year term contracted out of the Landlord and tenant act paying a true market rent of £13,500pa;

- A co-terminus licence will be granted to allow the Hunslet RLFC to use the pitch for up to 25 games per season at a peppercorn rent, reflecting their social value to the local community, working with the independent Hunslet Rugby Foundation. The value associated with the services provided by the Council is currently estimated to be £26,500pa;
- A revenue sharing arrangement has been proposed by the club, and it is proposed to introduce a sliding scale of charges that increase the rental payments based on the clubs performances in the league.

## **Recommendations**

On the basis that Members support the principles of the arrangement outlined in this report, Executive Board is recommended to:

- i) Agree that the Director of City Development is authorised to agree new lease and licence terms that are in accordance with the Heads of Terms outlined in this report.
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## **1 Purpose of this report**

- 1.1 The purpose of this report is to obtain approval from the Executive Board to the letting of space at the John Charles Centre for Sport to Hunslet RLFC upon the terms outlined in this report.

## **2 Background information**

- 2.1 Hunslet RLFC, which now trades as a Community Benefit Society, was in one of its earlier incarnations, one of the founder member clubs of the Rugby Football League, established in 1895. Hunslet was one of the first professional rugby league clubs which played in the Rugby Football league from 1895 until being dissolved in 1973. Initially founded in 1883, before the split between rugby league and rugby union, Hunslet were a strong force in the early years of the Northern Rugby Football Union, winning all four cups in 1908. In fact Hunslet RLFC reached the RL Championship Final (forerunner to the Superleague Grand Final) in 1938 playing Leeds at Elland Road in front of 54,000 fans. Following the dissolution of Hunslet RLFC and the sale of their Parkside stadium, the New Hunslet was formed and took Hunslet's place for the 1973-74 season. When the Club reformed they played their games at the Old Greyhound Stadium near Old Run Road. When the Old Greyhound Stadium was taken for the construction of the M621 the Club moved to Mount Pleasant, Batley for 2 seasons. At the same time Leeds United dropped to Division 2 and Leeds City Council acquired Elland Road. Hunslet returned to Leeds to ground share at Elland Road with Leeds United.
- 2.2 In the 1990s, Leeds United returned to Division 1 which became the Premier League. It was noted that the condition of the pitch was poor, which in part was attributed to the dual use of the ground. At the same time, there were preparations also for Euro 96 and the use of Elland Road. As a result Hunslet vacated Elland Road and temporarily played at Bramley before moving to the newly completed South Leeds Stadium in 1995/96 when the previous lease was entered into on a 20 year term. The lack of secure base for the club coupled with the fact that the club don't own their own grounds gives rise to commercial limitations within the way can generate revenue when compared to other clubs.
- 2.3 At the John Charles Centre for Sport, the Club currently have exclusive use of the Phoenix Bar, a shop, office space and a number of storage rooms which they currently lease from the Council. However the lease expired in November 2015 and the club currently occupy this space by way of a Tenancy at Will until the new lease is completed.
- 2.4 The Club currently has the right to play their rugby league fixtures on the pitch up to a maximum of 25 games a year. Their use of pitches, changing rooms, and grandstand is shared with other bookings, overseen by the Council.
- 2.5 Hunslet RLFC were recently relegated to the third tier in the Rugby League at the end of the 2015 season and therefore now receive significantly reduced funding from the Rugby Football League (RFL).

## **3 Main Issues**

- 3.1 Hunslet RLFC is a long and well established club within the south Leeds community. They are a proud club that the people of Hunslet have a strong affinity towards and who play a valuable role in acting as a focal point for community activity both at the ground and within the wider Hunslet area. There have been ongoing challenges for

the club in terms of having a settled base, with various different grounds being used over a number of years. The Club has been based at South Leeds Stadium (now John Charles Centre for Sport) since 1995. The most recent lease that was entered into between the Council and the Club in 1995 helped to facilitate the ongoing operation of the Club for the past 20 plus years. However, now that the arrangement has come to an end there is both an opportunity and need to renegotiate an arrangement that meets the current operating circumstances for the Club and helps the Council to deliver its priorities in the local community. The club play a prominent role within the local community and with Member support it is proposed that the Council considers a new arrangement that helps to realistically reflect the financial challenges the club faces. The terms for the new lease are set in the body of this report. It is proposed to grant a contracted out lease on the space they have exclusive possession of together with a licence for the use of the pitch and shared areas for their matches. The proposed terms attempt to reconcile the following from the clubs perspective:

- To support the financial viability of the Club;
- Recognition of the standing of the club in the local community;
- Recognition of the value of community work the club undertakes in the community;
- Recognition that the club does not own its ground and therefore has limitations as to the income streams it can therefore generate.

3.2 The proposal brought forward between the Council and the Club make it clear that it must be financially sustainable to both parties going forward. For the purposes of transparency it should be noted that under the present arrangement, Executive Board in December 2006 agreed to support the club by writing off rent arrears of £30,021.28. Furthermore the Club have an existing debt of approximately £46,000 that is currently being paid back to the Council. Accordingly proposals outlined in the report should prevent this reoccurring.

3.3 There are 2 key guiding principles upon which members are asked to enter into the proposed lease and licence arrangements. Firstly It is proposed that in return for support from the Council the club gives an undertaking through its Charitable Foundation to deliver an appropriate community development programme. Secondly that the Council should also share in any of the Clubs future success through proportionate increases in rent according to increased payment from the Rugby Football league. These payments will directly relate to their final league position in any given season. Building on the principles outlined and the points listed in section 3.1 the principle arrangements of the new lease and licence to the club are set out below.

- (i) The tenant has exclusive use of the Shop, Office, Pheonix bar and associated storage rooms at the John Charles Centre for Sports it will be granted a 25 year term contracted out of the Landlord and tenant act paying a true market rent of £13,500pa which will be fixed for 10years and then reviewed annually by RPI increase by way of a cap of 10% and collar 5%.
- (ii) A co-terminus licence will be granted to allow the Hunslet RLFC to use the pitch for up to 25 games per season at a peppercorn rent, reflecting their social value to the local community, working with the independent Hunslet Rugby Foundation. The value associated with the services provided by the Council is currently estimated to be £26,500pa. The services provided by the Council include pitch maintenance, grounds maintenance, external repairs,

utilities (heating and lighting), caretaking, insurance, waste disposal, cleaning common parts, rates, alarm monitoring, and any other services the Council wish to provide.

- (iii) A revenue sharing arrangement has been proposed by the club, and it is proposed to introduce a sliding scale of charges that increase the rental payments based on the clubs performances in the league with the Council being offered a percentage of the funding the Club receives from the Rugby League, with a minimum payment of £13,500pa. The payments are set out in the table below.

<b>RL Funding Super league</b>	<b>Rent &amp; service charge pa to LCC 7.5% funding</b>
All clubs £1,400,000	£104,000
<b>RL Funding- Championship</b>	<b>Rent &amp; service charge pa to LCC 10% funding</b>
1 <sup>st</sup> £750,000	£75,000
2 <sup>nd</sup> £700,000	£70,000
3 <sup>rd</sup> £500,000	£50,000
4 <sup>th</sup> £450,000	£45,000
5 <sup>th</sup> £275,000	£27,500
6 <sup>th</sup> £225,000	£22,500
7 <sup>th</sup> &8 <sup>th</sup> £200,000	£20,000
9 <sup>th</sup> & 10 <sup>th</sup> £175,000	£17,500
11 <sup>th</sup> & 12 <sup>th</sup> £150,000	£15,000
<b>RL Funding League 1 Clubs</b>	<b>Rent &amp; service charge pa to LCC 10% funding</b>
All clubs receive £75,000	£7,500, below the min rent therefore the rent would be £13,500pa

Executive Board are asked to note the work currently undertaken by the club in the local community and as part of this lease/licence terms there will be an expectation that the club and Foundation provide an annual report outlining the work delivered in the community. The Club and Foundation will be expected to build upon its current work in this area. Some of the current work of the Hunslet Rugby Foundation is listed below:

- Provide community coaching to schools both in and out of school, with over 3,400 young people engaged;
- Attendance at school assemblies providing support, advice and guidance to young people on a range of issues;
- Delivery of over 380 community sessions through salaried staff and volunteers;
- Delivery of programmes for older people e.g. dementia/reminiscence work;
- Partnerships with over 40 schools and 20 local rugby league clubs;
- Base for local running groups and hosting league and local club meetings;
- Commencing with Btec level 3 courses from September 2017.
- Focal point for community based social activities.

## **4. Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 The Executive Member for Resources and Strategy has been involved with the negotiations with the club with regard to the lease terms.

4.1.2 All three local ward members, and club officials state that the Club and Foundation play an absolutely invaluable role in their local communities, and have done for many years and that the value of their community support should be reflected within the terms of the new lease. All ward members are supportive of these proposals

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 An equality, diversity, cohesion and integration screening has been conducted and can be found at Appendix 1. The screening has found there will be no disproportionate effect on any of the protected characteristics.

### **4.3 Council policies and Best Council Plan**

4.3.1 Hunslet RLFC and the independent charitable organisation the Hunslet Rugby Foundation's shared vision is to be an integral part of South Leeds Community Life, creating strong and sustainable communities by working with partners to support all age groups and inspire generations through Rugby League. They will create an environment to support learning and to contribute to the improvement of attainment, confidence and employability.

4.3.2 The Club and Foundation are seeking to improve quality of life and overall wellbeing of all members of the community using Rugby League as a vehicle. This will support the Council's priority of supporting communities and raising aspirations. It will also promote physical activity through sport which supports the Council's priority of promoting physical activity. The community value of their work within and around Hunslet will include their work with schools and young people as well as the social value that such a significant local club plays in bringing together the local community on a regular basis. The proposals support directly the Council's outcome relating to :

- Enjoy happy, healthy, active lives
- Enjoy greater access to green spaces, leisure and the arts.

This in turn also supports the following 2017/18 priorities:

- Improving mental Health and Wellbeing
- Building resilient, cohesive communities, raising aspirations
- Child friendly city
- Reducing financial hardship

#### **4.4 Resources and value for money**

- 4.4.1 It is clearly a challenge for Hunslet RLFC to operate within the current financial constraints given their demotion to the bottom tier of the Rugby Football League. The proposed terms attempt to strike an appropriate balance between assisting the club to be financial sustainable both now and in the future, whilst also recognising the financial challenges of the Council in securing an appropriate rent. The unique ground occupancy arrangements of Hunslet RLFC at John Charles centre for Sport can limit some of the more commercial aspirations of the club and have contributed in part to the current financial position of the club.
- 4.4.2 The social value of the club and its contribution to its local community is a key consideration in agreeing to these proposed terms.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The lease will be contracted outside the terms of the Landlord & Tenant Act 1954, so the tenant will have no automatic right to renew.
- 4.5.2 Section 123 of the Local Government Act 1972 provides that a local authority shall not dispose of land for less than the best consideration reasonably obtainable without the consent of the Secretary of State. The Local Government Act 1972: General Disposal Consent (England) 2003 permits local authorities to dispose of land for less than best consideration where:
- the difference between the unrestricted value of the land and the consideration for the disposal does not exceed £2,000,000; and
  - the purpose for which the land is to be disposed of is likely to contribute to the promotion or improvement of the economic, social or environmental well-being of the area.
- 4.5.3 In this case, the difference between the unrestricted value of the land and the consideration for the disposal is within the parameter indicated above. The use of the premises plays an absolutely invaluable role in our local communities which contributes to the promotion or improvement of the economic, social or environmental well-being of the area through sporting activities.
- 4.5.4 The City Solicitor is therefore of the opinion that the proposed disposal falls within the terms of the Local Government Act 1972: General Disposal Consent (England) 2003.
- 4.5.5 Both Hunslet RLFC and the Hunslet Rugby Foundation carry out activities that are limited to Leeds, on that basis Legal Services have advised that as it is highly unlikely that State Aid will occur on the basis there will be no distortion of competition between EU member states, therefore there are no State Aid implications.
- 4.5.6 There are no Access to Information implications. The decision is subject to call-in.

#### **4.6 Risk Management**

- 4.6.1 The Hunslet RLFC club have occupied space at John Charles Centre for Sport since 1995/6, following their move from Elland Road football stadium. The club wish to remain at the centre upon the terms set out in this report. The proposed terms

attempt to reconcile the club's ability to pay a commercial rent against their current and potential trading arrangements. The Club have an aspiration to return to the Championship within the next 3 years. Should this happen then the Council would receive increased rental payments. If the Council do not accept the proposed terms there is a risk that the club would have to seek alternative accommodation with reduced costs or go into administration. Should the club progress beyond league 1 there could be requirements for the club to increase seating capacity. Temporary solutions could resolve issues associated with promotion to the Championship.

- 4.6.2 Should the Club financially fail then debts owing would not be paid. The space currently occupied by Hunslet RLFC could be let to the community and therefore in this sense the financial risk to the Council of the club failing are low. However there would be significant reputational risk to the Council should the club fail and the council has not sought to assist in a way that is fair, transparent and progressive. There is a potential risk that other clubs, not afforded the same level of support, could question the Council about the proposed terms. That said the unique trading position of Hunslet RLFC (i.e. them not owning or having long lease hold of their whole ground) and the proposed uplift in rental payments based on future success would go some way to mitigate those claims. Furthermore their community development work would give the Council comfort that the Club are still proactively investing in their local community in return for support given.

## **5 Conclusion**

- 5.1 Hunslet RLFC is a founding member of the Rugby Football league and has played an important role in the local community for many years. Given that their lease of John Charles Centre for Sport needs to be renewed, the Club and the Council have developed an arrangement that is financially sustainable for the Club; enables them to continue to work in the local community and provides a potential uplift in revenue to the Council depending on the Club's future success. The arrangement proposed seeks to balance the value that they contribute to the local community set against the costs incurred by the Council via their occupation of John Charles Centre for Sport.

## **6 Recommendations**

- 6.1 On the basis that Members support the principles of the arrangement outlined in this report, Executive Board is recommended to:
- i) Agree that the Director of City Development is authorised to agree new lease and licence terms that are in accordance with the Heads of Terms outlined in this report.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

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<sup>1</sup> 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.