



Agenda:

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Not for Publication: Appendices 2 and 3 of this report are exempt/confidential under Access to Information Rule 10.4 (3). Appendix 3 will be circulated either immediately before or at the Executive Board meeting.

Report of the Directors of Resources and City Development and of the Assistant Chief Executive (Corporate Governance)

Executive Board

Date: 17 September 2009

Subject: Leeds United Thorp Arch Academy

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

On 26 August 2009 Executive Board received a report from the Director of City Development, detailing an approach from Leeds United Football Club, which was requesting Council involvement in the purchase of its Thorp Arch training facility. The Club was not requesting a financial subsidy from the Council. Rather, it sought assistance with the refinancing of its interests at Thorp Arch through an agreement with the Council to be drawn up on purely commercial terms.

The Club has an option to purchase Thorp Arch which expires on 10 October 2009 and therefore, from the Club's perspective, time is of the essence.

Executive Board, while not committing to assist the Club at the 26 August meeting, did authorise officers to enter into discussions with the Club and to report back to the Board if there was considered to be any prospect of working with the Club on this matter.

This report updates Members on the discussions with Leeds United.

1.0 BACKGROUND

- 1.1 In 2004 Leeds United Football Club was experiencing severe financial difficulties. Due to below par performances by the team, income was well below expectations and high player wages and other outgoings meant that the Club was incurring a large annual operating deficit. In order to improve liquidity the Club determined to sell and lease back its Elland Road Stadium and its Thorp Arch training facility. The Club did approach the Council at that time to establish whether the Council was a potential buyer, but the Council was unable, given the precarious financial position of the Club, to meet the Club's asking price. The main issue for the Council at that time was the Club's future ability to meet any rental payments under the leaseback, given its then uncertain fortunes and high outgoings. Indeed, the Club did manage to sell both assets to third party buyers but could not eliminate the revenue deficit it was experiencing, especially following two relegations in 2004 and 2007. It eventually went into administration in 2007 and a more streamlined, debt free, football club, which is now reported to be returning an operating surplus, emerged from the process. We are advised that the new Club – Leeds United 2007 – has managed to secure leases of Elland Road Stadium and Thorp Arch, along with options to purchase, on the same terms as its predecessor. Details of the Thorp Arch facility are given in Appendix 1.
- 1.2 Thorp Arch and Elland Road were sold to different buyers and details of the sale and leaseback arrangements for the former are provided in the exempt Appendix 2 to this report. The Club has a lease of Thorp Arch which expires on 10 October 2029. The rent payable is penalistic and increases, year on year, according to a pre-determined formula. If the Club could borrow at reasonable interest rates to acquire the facility then it would do so and would, as a result, be able to reduce its annual outgoings. Unfortunately, because of the Club's recent administration, and the impact of the recession, it advises that it has been unable to secure a suitable borrowing facility.
- 1.3 Under the terms of the lease, the Club has an option to acquire Thorp Arch at a pre-determined price, before 10 October 2009. After 10 October 2009 the Club would have no right to acquire the facility.
- 1.4 Because of its stated inability to raise sufficient finance through any other source, and because of the imminent 10 October 2009 deadline, the Club approached the Council for assistance.
- 1.5 The Council could use its prudential borrowing powers to assist the Club. Members of Executive Board on 26 August considered two options:-
 - (i) Making a loan to the Club to enable it to acquire Thorp Arch
 - (ii) The Club novating its option to purchase Thorp Arch to the Council and the Council leasing the facility to the Club on commercial terms.

Members were not persuaded at the meeting of the rationale for providing assistance, particularly given the risk of non-payment of annual loan repayments or rent by the Club. Members discounted the option of making a loan to the Club but did authorise officers to open up a dialogue with the Club to see if sufficient security could be offered by the Club to warrant the Council's involvement in a landlord/tenant relationship.

1.6 Executive Board resolved:-

- (i) That the request from Leeds United 2007 for support in exercising its option to acquire the Thorp Arch training facility be noted.
- (ii) That the option of offering a loan to the Club be discounted.
- (iii) That the Director of City Development be authorised, in consultation with the Director of Resources, the Assistant Chief Executive (Corporate Governance) and the Executive Member Development and Regeneration to enter into discussions with the Club on the lines now discussed in order to explore whether the option of the Club novating to the Council its option to purchase with subsequent acquisition by the Council and lease back to the Club can be progressed. Such preliminary discussions to include the need for appropriate guarantees in respect of the income from the lease to the Club, adequate provision for community and educational use, securing levels of Council control appropriate to the City's hosting of international sporting events, necessary maintenance arrangements and such other matters as may be necessary to protect the Council's interests as owner of the facility.
- (iv) That a meeting of this Board be convened sufficiently in advance of the 10 October 2009 deadline, in the event that the discussions referred to in (iii) give rise to a recommendation to progress the option to a conclusion.

2.0 CURRENT POSITION

- 2.1 Officers have been in discussion with the Club since 26 August to determine if there is any basis for assisting the Club in the refinancing of its interests at Thorp Arch.
- 2.2 The Director of Resources has made it clear to the Club that any proposals involving prudential borrowing must not create any financial implications for the council taxpayers of Leeds. ie that the annual debt repayments resulting from any prudential borrowing by the Council would need to be fully met from annual rental payments made by the Club. The Club understands this point and is willing to be co-operative in this regard.
- 2.3 The Council has commissioned an independent valuation of the Thorp Arch facility which will be reported at the meeting.
- 2.4 With regard to the offer of security, a number of options have been discussed and are detailed in the exempt Appendix 3 to this report, along with a risk analysis. Because of the short timescale to complete negotiations with the Club Appendix 3 will be circulated either immediately before or at the Executive Board meeting.
- 2.5 Appendix 2 and 3 of this report are exempt/confidential under Access to Information Rule 10.4 (3) as they contain information which if disclosed could prejudice the commercial interests of the Council and other outside bodies.

3.0 LEGAL AND FINANCIAL IMPLICATIONS

- 3.1 The Council does have the powers to acquire land by agreement for the purposes of any of its functions or the benefit/improvement or development of its area. Any agreement with the Club would be on purely commercial terms with the Council taking appropriate security to protect its investment.

- 3.2 Under any proposed scheme of assistance the Club would have the full repairing and insuring responsibility for Thorp Arch. The Council's annual costs resulting from prudential borrowing would be fully met by annual payments made to the Council by the Club. Further financial information is given in the exempt appendices to this report.
- 3.3 The Club would be responsible for meeting the Council's reasonable surveyor and legal costs.

4.0 CONSULTATION

- 4.1 Ward Members have been consulted and are all in favour of opening up a dialogue with the Club. If agreement can be reached then they would wish that there should be more community access to the Thorp Arch facilities and additional outreach work by the Club. One Ward Member would like to see improvements made to the local highways infrastructure as a part of any agreement.

5.0 RECOMMENDATIONS

- 5.1 Members are requested to consider the financial proposals being made by the Club and the security being offered as detailed in the exempt Appendix 3 to this report (to follow) and to determine, in the light of these, whether they are supportive of the Council entering into the acquisition/leaseback arrangements set out in the report. If members are so supportive, the Board is recommended to authorise and delegate responsibility to the Directors of Resources and City Development and the Assistant Chief Executive (Corporate Governance) to negotiate and agree detailed terms with the Club and conclude documentation to give effect to the arrangements approved within this report.

Background Papers

Executive Board Report 26 August 2009

APPENDIX 1

THORP ARCH FACILITY

The Thorp Arch facility is the training base for Leeds United teams of all levels and is also the base for its highly regarded Academy. Over the years the Academy has produced many international and high quality players including the likes of Harry Kewell, Alan Smith, Jonathan Woodgate, Scott Carson, Aaron Lennon, Paul Robinson, James Milner and, more recently, Fabian Delph. If the Club is to rediscover its former greatness then a successful Academy is seen by many to be an essential component of the road to improvement.

We are advised that the facility comprises:-

- (i) 12.1 hectares of fully landscaped facilities at Thorp Arch, near Wetherby, including a highly sustainable balancing pond which is used for irrigation of the many playing surfaces.
- (ii) 8 full size grass pitches, 2 of which are floodlit
- (iii) 2 full size all-weather pitches
- (iv) Reception, cafeteria, ancillary offices
- (v) ? changing rooms all with associated shower facilities, kit rooms, and equipment stores
- (vi) 25 metre indoor swimming pool
- (vii) Hydrotherapy/physiotherapy/injury treatment facilities
- (viii) Three-quarter size indoor football pitch with artificial grass surface
- (ix) Gymnasium
- (x) Surfaced access road and car parking areas

All of the facilities are maintained by the Club, to a very high standard.

Because of the high quality facilities Thorp Arch is highly likely to be used as a Team Base Camp during World Cup 2018, should England secure the nomination to host the event from FIFA, regardless or not of whether Leeds secures Host City status.