

Report To: **STRATEGIC PLANNING AND CAPITAL MONITORING PANEL**

Date: 30 November 2015

Executive Member / Reporting Officer: Councillor Jim Fitzpatrick - First Deputy (Performance and Finance)

Sandra Stewart – Executive Director Governance & Resources

Subject: **ACQUISITION OF HYDE UNITED FOOTBALL CLUB CLUBHOUSE AND STAND**

Report Summary: Hyde United Football Club currently benefits from a 125 year lease, dated 21 June 1995, in respect of Ewen Fields, Grange Road, Hyde which it uses as its home football ground and training facility. Whilst the freehold of the site is owned by the Council, the assets on the site are owned by the Club.

This report proposes the acceptance of surrender of the 125 year lease, a gross payment of up to a £125K, in respect of the lease surrender and the provision of a replacement lease to the Club on a 25 year term, with a rolling mutual break, contracted out of the Landlord and Tenant Act 1954. The annual rent payable which will be linked to RPI will be dependent on the premium which the Club opts for.

Recommendations: That it be recommended to Cabinet that the Council offer a premium to Hyde United Football Club Limited for the early surrender of the existing 125 year lease in respect of the land and buildings, currently known as Ewen Fields, Grange Road, Hyde, Cheshire SK14 2SB of £125K and the Borough Solicitor be authorised to grant a 25 year lease at a rental of £6.25K subject to annual RPI, in respect of the same land and buildings, and to reflect the markets terms subject to a rolling annual mutual break, (contracted out of the Landlord & Tenant Act 1954), and subject to a condition of the deal, that Hyde United Football Club repays an outstanding loan made to the Club from the premium.

Links to Community Strategy: The advice shows that medium and long term the purchase of the assets and the reduced term of the lease will enable the Council to have greater flexibility to determine the future use of the site, whilst securing the short to medium term future of Hyde United Football Club.

Policy Implications: In line with Council Policy.

Financial Implications: The proposed offer is as outlined in section 4.2 and is based on the valuation provided by Matthews and Goodman.

(Authorised by the Section 151 Officer)

On 22 June 2011 Tameside Council approved, following a Key Decision, a £1.0m capital investment scheme for Hyde. Phase 1 of this scheme incorporated plans to:

- Re-drain and resurface the natural turf pitch at Hyde United FC / Walker Lane.
- Reclaim and clear redundant land between the Leisure

Pool and Hyde United FC.

- Extend the existing Active Hyde Leisure Pool car park to provide 198 spaces.
- Install a Multi-Use Games Area at Millennium Green.

The above works were successfully completed in December 2011 at a cost of £0.595m leaving a residual balance of £0.405m in the 2015/16 capital programme.

The Council decision also made provision for a phase 2 element which included the development of facilities at Hyde United FC including a synthetic 3G pitch and a community building. The original planned completion date for Phase 2 was July 2012. In order to successfully deliver phase 2 it was envisaged that the Club would seek a match funding capital contribution from the Premier League's Community Fund. It was agreed that once the outcome of the Community Fund bid was known a further report would be presented to the Council to approve the start of phase 2. Due to the considerable time lapse that since ensued, the matter was considered at the Joint Meeting of the Council's Executive Cabinet and Overview (Audit) Panel on 12 February 2014. *Hyde United FC be given a deadline of 31 March 2014 to confirm that the necessary funding from the Football Foundation is in place for the scheme. If a definitive guarantee was not provided by 31 March 2014, then the Council's capital support for the scheme would be withdrawn.* Funding was not secured by the deadline established above, and on 14 July 2015 the Council received notification from the Club that its bid to the Football Foundation had been unsuccessful.

Accordingly, it is proposed that the funding to buy out the lease and secure the land and a greater rent which can fund any necessary borrowing for the capital is earmarked from this allocation.

Legal Implications:
(Authorised by the Borough Solicitor)

The cash injection that will result from the sale of the assets to the Council could enable Hyde United Football Club to continue into the future, although there is no guarantee of this. The termination of the 125 year lease provides the Council with greater control of the Club site should it be placed in receivership.

Whilst on the face of it this proposal will see no immediate change in the day to day management of the Club it will in the short term assist the Club in meeting their financial liabilities allowing them to concentrate on the running of the Club.

The proposal is intended to secure the financial viability of the Club and where this is not achieved secure the Council's ability to determine the future of the site on a more sensible financial basis in the economic interests of the Borough.

Risk Management:

There are a number of risks relating to the current position relating to the football Club and ground.

Hyde United Football Club have made it known that they are in significant financial difficulties and struggling to pay their outstanding debts of which payment of a debt of £50K is

pressing.

The termination of the 125 year lease provides the Council with greater control of the Club site should it be placed in receivership and represents vfm to the Council.

The cash injection that will result from the sale of the assets to the Council, could enable it to continue into the future, although there is no guarantee of this.

There is a risk of the Club going into administration or other analogous position of insolvency. If this occurs then the deal which the Council now proposes could be reviewed to determine whether it was on solid commercial terms or, if not, with a view to the transaction being set aside. Ultimately this should mean the repayment of the premium

Access to Information:

The background papers relating to this report can be inspected by contacting the report writer, by contacting Sandra Stewart Borough Solicitor:



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1 INTRODUCTION

- 1.1 Hyde United FC leases a 4.07 acre site, known as Ewen Fields, Hyde, from the Council, on a 125 year term from 21 June 1995. The Club owns the building, stands and other facilities on the site. A copy of the site plan is appended at **Appendix 1**. The original lease dated 21 June 1995, is attached at **Appendix 2**.
- 1.2 Hyde United Football Club was formed in 1885 as Hyde FC and became Hyde United in 1919 and changed its name back to Hyde FC in 2010 as a result of a sponsorship deal with Manchester City. It reverted back to Hyde United in 2015.
- 1.3 The Club has experienced financial problems caused in part by attendance at games remaining low due to the economic climate.
- 1.4 The current management are passionate about the Club. To alleviate some of the financial pressures and to secure the sustainability of the Club into the future, they have contacted the Council with a view to surrendering the current 125 year lease in return for a premium and a new lease. It is proposed that the new lease has a significantly shorter term of 25 years on a rolling annual break with the rent remaining at the current level (increased annually in line with the retail price index) and to be contract out of the Landlord and Tenant Act 1954.
- 1.5 The Council has commissioned a valuation of the clubhouse and grounds and also condition surveys in respect of the building.
- 1.6 This report provides further detail of the proposed transaction and seeks approval from the decision maker to accept the surrender of the 125 year lease and to enter into a shorter term lease for 25 years, with a rolling annual break and contracted out of the Landlord and Tenant Act 1954, using the opportunity purchase fund to enable the Club to concentrate on developing and sustaining the Club.

2 SCOPE OF THE CLUB HOUSE AND FACILITIES

- 2.1 Details of the premises are set out below:

General

- 2.2 Hyde United Football Club comprises an active operational football Club with an established levelled and drained playing field, together with five main stands. The main stand is seated whilst the remaining are standing terraces. The Club has, within the main stand, players and referees changing facilities and administrative offices, together with Club sponsor's bar lounge area and kitchens and WCs. The players and referee's changing accommodation is at ground floor level, together with first aid room and match day kitchen servery.

- 2.3 The total site area is approximately 4.07 acres (1.65 ha).

Main Stand

- 2.4 The main stand was originally constructed in 1986 and extended in 1996. It is constructed of steel and concrete frame, with profile steel cladding to the walls and canopy areas. The stand is seated and has external fluorescent lighting.
- 2.5 At the upper level, accommodation comprises an office, kitchen and main Club sponsors bar lounge area, together male and female WCs. The accommodation is heating by way of a gas fired central heating system, serving water filled radiators throughout and the bar is fitted out to a reasonable standard internally.

2.6 The ground floor area comprises home and away team changing rooms, together with shower facilities. The changing rooms are of basic accommodation with block emulsioned walls, whilst the shower areas are fully tiled and incorporates WC facilities.

2.7 There is a manager's office, together with first aid facility and the referees' changing facilities, together with a match day servery kitchen, serving hot food via an external hatch.

Leigh Street Stand and Walker Lane Stand

2.8 These two stands were constructed in 1999, replacing former old wooden stands. They comprise shallow depth, terraced stand areas with health and safety barriers. They are constructed of concrete and steel frame with profile steel cladding to the walls and roof areas. Both stands have fluorescent lighting.

North Stand and Main Terrace Stand

2.9 These were constructed in the 1970s of concrete frame with profile steel cladding to walls and roof areas, supported by steel framework. They have stepped terrace spectator areas and fluorescent external lighting.

Hyde United Supporters' Social Club

2.10 This building comprises a detached self-contained building, built for the members, which we understand is run as a separate members' Club area and comprises a bar lounge area, together with bar servery, male and female WCs and a beer store. The building is constructed of concrete frame, with pitched sheet roofing, has gas fired central heating and is separately metered from the main Club stands for electricity, gas and water.

2.11 The male and female WCs are fitted to a serviceable standard and the Club premises have a separate access leading from the car park, without requirement to pass through the entrance tollgates.

Land

2.12 To the west of the site is a tar macadam car park with parking for approximately 80 vehicles. To the south of the site and south of the southern terrace building, there is an area of land which is currently unused.

2.13 Whilst we have not undertaken specific tests of the services, we assume that the property is connected to all mains services including electricity, gas, water and drainage.

3 MARKET CONDITIONS FOR DISPOSAL OF SIMILAR FACILITIES

3.1 English football has a distinctive league organisation, the football pyramid. The pyramid consists of inter-connected national and regional leagues, with promotion and relegation enabling the smallest of clubs to realise top flight football. The national media focus is generally on the Premier League; however, the uncertain financial future for those unfortunate clubs relegated to the Championship is well published. Non-league football in England generally refers to the National and Regional Leagues below the Football League. That is, any league below the Second Division.

3.2 Today there are more than 50 leagues defined as non-league by the Football Association (FA) representing nearly 500 clubs. The major change to the football pyramid came in 1987, when automatic promotion and relegation of one Club between the Football League and the Football Conference, the top league in football was introduced, subject to the Club meeting stadium facility and financial standards. This led to an influx of new finance into non-league football and raised the expectations and ambitions of fans and supporters of non-league sides.

- 3.3 Non-league football provides economic features that distinguish it from the professional leagues. Attendance is typically indicative of demand for the sporting contest, rather than a measure of stadium capacity and is a better indicator of the Club's financial well-being. Ancillary income is typically a smaller proportion of total income and budgets for non-league clubs tend to be hard rather than soft. Equity withdrawal by a wealthy Club sponsor or owner is often not replaced, leading to dramatic decline in a Club's league status that threatens their financial survival.
- 3.4 Research by Loughborough University indicated that attendance and revenue is more sensitive to macro-economic factors such as league position, recent form and the price and quality of substitutes compared to the professional league clubs. These characteristics make the financial status of non-league clubs more volatile and uncertain compared to their professional counterparts. Non-league clubs including Fisher Athletic and Newcastle Blue Star both disappeared in 2009, being unable to meet their financial obligations. Generally, many clubs in a similar league position are struggling financially, due in part to the economic recession between 2008 and 2013.

4 VALUATION

- 4.1 Matthews and Goodman have provided an opinion as to the value of the site on the basis of a surrender and leaseback to the Football Club on a commercial lease basis, based on a 25 year lease with a rolling mutual break, at the existing rent and contracted out of the Landlord and Tenant Act 1954.
- 4.2 They have assessed the surrender premium to be £70 to 75K, based upon the surrender of the current 125 year lease and the intention to grant a 25 year lease, on an annual rolling mutual break basis with the tenant being responsible for full repairing and insuring of all the buildings, contents and the football pitch and on the basis that the new lease is contracted out of the Landlord and Tenant Act 1954. A copy of the valuation is included at **Appendix 3**.
- 4.3 They have further advised that should the Council look to a higher premium of say £100,000, we consider that there is a higher risk to the Council which should be reflected in a higher yield. We consider that if a £100,000 premium is paid, a 5% yield would be appropriate and this would reflect in an annual rental to the Football Club in the order of £5,000 per annum based on a 25 year lease.
- 4.4 Accordingly, the following premium have been considered fair and reasonable in the circumstances:

Premium	Rent per annum subject to annual RPI
£70 - 75K	£1.5K
£100K	£5k
£125K	£6.25K

5 PROPERTY IMPLICATIONS

- 5.1 The Council currently owns the freehold interest of the Hyde United FC site, although the Club has a 125 year lease which was signed on 21 June 1995.
- 5.2 The management of the Club have proposed that the current 125 year lease be surrendered and replaced by a shorter term lease. It is proposed that a 25 year lease with a mutual rolling annual break be granted and that the lease is contracted out of the Landlord and Tenant Act 1954.

5.3 The terms of the proposed lease are :

- Landlord – Tameside Metropolitan Borough Council;
- Tenant – Hyde United FC;
- Property – As shown on the outline plan attached to the Lease;
- Term – 25 years;
- Rent – £1,500 per annum;
- Break clause – annual rolling mutual break;
- Rent Reviews – Annually in line with the increase in RPI;
- Repair – Hyde United FC will be responsible for all repair, decoration and maintenance of the property;
- Use – the property is to be used as a football Club and for educating pupils aged 3 to 11 and ancillary purposes including fundraising and charitable purposes;
- Costs – Hyde United FC will be responsible for all business rates, taxes, utility bills and standing charges associated with the occupation and use of the;
- Alienation – Hyde United FC may not assign, sub-let, charge or allow anyone else to have benefit of the Lease; and
- Alterations – Hyde United FC may not make any alterations, extensions or changes to the property without the written consent of the Council.

6 FINANCIAL IMPLICATIONS

6.1 It is proposed that sum a sum of between £75K and £125K be offered in respect of the purchase of the assets on the Hyde United FC site and the surrender of the 125 year lease conditional upon the repayment of the £50,000 loan to the beneficiary.

6.2 It is further proposed that the Council enters into a 25 year lease for the land and buildings, with a rolling mutual break, with an annual value of dependent on the premium accepted by the Club, subject to annual rent reviews in line with the increase in the RPI as follows:

Premium	Rent per annum subject to annual RPI
£70 - 75K	£1.5K
£100K	£5k
£125K	£6.25K

7 CONCLUSIONS

7.1 Hyde United FC is a long standing, well supported football Club, which, in common with other similar clubs has struggled financially in recent years.

7.2 The management of the Club has offered the surrender of the 125 year lease for a cash sum, subject to external independent valuation and also in exchange for a shorter 25 year contracted out lease, with a rolling mutual annual break, at a reduced rent of £1,500 per annum.

7.3 There is a loan of £50,000 which will need to be discharged on completion, in favour of the beneficiary.

7.4 An external valuation of the surrender of the 125 year lease and the granting of a new 25 year contracted out lease, with a rolling mutual break, has been undertaken by Matthews and Goodman. They assess the value to be between £70 and £125K dependent on annual rental to be paid by the Club as set out in para 5.4 above.

- 7.5 Given the financial position of the Club going into administration or other analogous position of insolvency. If this occurs then the deal which the Council now proposes could be reviewed to determine whether it was on solid commercial terms or, if not, with a view to the transaction being set aside. Ultimately this should mean the repayment of the premium. However, the use of an independent valuation should reduce this risk materialising significantly.
- 7.6 The Club have advised following a meeting on the 26 November 2015 that they would be willing to pay the revised rent of £6.25K to access the £125 premium on the revised lease terms.

8 RECOMMENDATIONS

- 10.1 These are set out at the front of the report.