

EXECUTIVE BOARD – 22 SEPTEMBER 2015

Subject:	Loan to Nottinghamshire County Cricket Club		
Corporate Director(s)/ Director(s):	Glen O’Connell, Corporate Director for Resources		
Portfolio Holder(s):	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration		
Report author and contact details:	Jeff Abbott, Head of Corporate Finance jeff.abbott@nottinghamcity.gov.uk 0115 8763648		
Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Subject to call-in	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reasons: <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision			<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Total value of the decision: £2,700,000			
Wards affected: All	Date of consultation with Portfolio Holder(s): 9 September 2015		
Relevant Council Plan Strategic Priority:			
Cutting unemployment by a quarter	<input type="checkbox"/>		
Cut crime and anti-social behaviour	<input type="checkbox"/>		
Ensure more school leavers get a job, training or further education than any other City	<input type="checkbox"/>		
Your neighbourhood as clean as the City Centre	<input type="checkbox"/>		
Help keep your energy bills down	<input type="checkbox"/>		
Good access to public transport	<input type="checkbox"/>		
Nottingham has a good mix of housing	<input type="checkbox"/>		
Nottingham is a good place to do business, invest and create jobs	<input checked="" type="checkbox"/>		
Nottingham offers a wide range of leisure activities, parks and sporting events	<input checked="" type="checkbox"/>		
Support early intervention activities	<input type="checkbox"/>		
Deliver effective, value for money services to our citizens	<input type="checkbox"/>		
Summary of issues (including benefits to citizens/service users):			
<p>Nottingham City Council has a history of working in partnership with Nottinghamshire County Cricket Club (NCCC) and its other partner local authorities. The Council recognises the benefit that the community gains economically from a thriving, world renowned, international cricket ground.</p> <p>NCCC have requested a further loan of £8.1 million from the three principal partners: Nottinghamshire County Council, Nottingham City Council and Rushcliffe Borough Council, to undertake further ground improvements. These ground improvements will enable NCCC to continue to compete in providing international cricket fixtures in Nottinghamshire. The requested loan will be split equally between the three authorities and the loan element of £2.7m from the City Council will ensure that NCCC can continue with its next phase of ground development. This will include media and player facilities and improved ground capacity and hospitality.</p> <p>The repayment term will be over 20 years and at a commercial rate of interest. Both Nottinghamshire County Council and Rushcliffe Borough Council will be considering this request on the same terms and subject to their own Cabinet/Committee approval. The loan will be secured against NCCC’s assets.</p>			
Exempt information:			
None			
Recommendations:			
1 To approve a secured loan of £2.7m, repayable over 20 years with an interest rate set at the prevailing Public Works Loans Board rate at the time the agreement is signed plus 2%.			

2 To delegate authority to the Strategic Director of Finance, in consultation with the Legal Services Manager, to agree the final repayment schedule and legal agreement.

1 REASONS FOR RECOMMENDATIONS

1.1 To enable NCCC to make ground improvements which will continue to attract events which contribute to the economy of the City.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 Trent Bridge, the home of NCCC, is a world famous cricketing landmark and is universally regarded as one of the finest cricket venues. The ground has hosted county and test cricket since 1838 and is the world's third oldest Test ground.

2.2 NCCC has invested heavily over the last 25 years in order for the Trent Bridge ground to retain test cricket venue status. The most notable developments include the £7.2 million Trent Bridge Cricket Centre, also known as the Radcliffe Road Stand, which opened in 1998, the £2 million Fox Road Stand, which opened in 2002 and the £8.2 million Bridgford Road Stand, which opened in 2008. On-going investment in the ground is seen by NCCC as essential if it is to retain test match venue status, as it competes with other ambitious cricket clubs in the country.

2.3 The Council recognises the socio-economic benefits of NCCC continuing to be a major international sporting venue and has previously provided loan funding of £1.23m, with an expected final repayment date of 31 December 2027. There is currently £1.025m loan principal outstanding and interest is charged at a rate of 3%. All scheduled repayments have been met.

2.4 NCCC is seeking to invest £8.1m in a new media facility, in refurbishing the Pavilion and William Clarke Stand and in the Lady Bay development, with works to be carried out during the winters of 2015 to 2017. This will ensure facilities compete with other grounds and NCCC has requested that Rushcliffe Borough Council, Nottinghamshire County Council and Nottingham City Council provide a loan equivalent to £2.7m from each authority.

2.5 Discussions between NCCC and finance representatives from each council have led to provisional agreement of the following terms, subject to final approval of the following:

- the term of the loan would be 20 years, with no payment holiday periods;
- the whole loan would be secured as a charge on the NCCC ground and other assets; and
- the interest rate is to be fixed at the Public Works Loans Board rate for 20 year annuities (prevailing at the time of the legal agreement) plus 2%; at 19 August 2015 the total rate would have been 5.06%.

2.6 The loan is to be provided on a 'commercial basis' and in the context of the other socio-economic benefits derived from having a modern test ground facility in the City area.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 The other options are to either not progress with the loan or to negotiate changes in either the repayment term or the interest rate applied. These are not

being progressed as negotiations already undertaken have confirmed that NCCC is comfortable with the loan terms outlined above at paragraph 2.5.

4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 Although financial implications are largely covered above, if the 5.06% interest rate at 19 August is applied as a guide, the Council would accrue £1.624m in interest over the 20 years of the loan.
- 4.2 The proposed loan terms require repayment on an annuity basis, where the interest element of the repayment reduces each year as the principal is repaid. Applying the rate quoted within this report, the average annual interest paid by NCCC over the term of the loan would be around £0.081m, whereas the annual interest cost to the City Council of borrowing £2.7m over 20 years would be £0.043m, with the annual difference of £0.038m reflecting the cost of the risk borne by the City Council.

5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 5.1 The biggest risk is potential default on the loan. A review of the most recent accounts, combined with the fact that there is no history of loan default, gives a degree of surety in this regard. In addition, the loan will be secured against NCCC assets, which are considered to be sufficient for this purpose following a review undertaken by Nottinghamshire County Council.
- 5.2 A loan agreement needs to be negotiated and agreed with NCCC based on the loan terms set out in the report. It is understood following discussions with the report author that the interest rate is sufficient to ensure it is not state aid. Initial due diligence on the title for the cricket ground has identified a charge giving priority in favour of another lender. Permission of that lender may be required to enable the City Council to register its charge and it needs to be confirmed that there is sufficient security for the City Council's loan. As each of the three councils is making a loan of equal value and taking a charge an agreement between the three councils would be advantageous.

6 SOCIAL VALUE CONSIDERATIONS

- 6.1 There is a range of direct economic, reputation and community benefits deriving from the redevelopment of Trent Bridge for the City and the region. These include the continued involvement of NCCC in community programmes that benefit the City and its residents. The development will also protect and enhance the significant economic impact delivered by an active test cricket ground, to both the City and region.
- 6.2 In addition, retention of test match and international status will sustain and enhance the reputation and image of the City for an international audience.

7 REGARD TO THE NHS CONSTITUTION

- 7.1 Not applicable

8 EQUALITY IMPACT ASSESSMENT (EIA)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

9 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

9.1 Presentation delivered by the Chief Executive of NCCC when introducing the application for the development loan

9.2 NCCC annual accounts: Financial Year ending 30 September 2014

10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

10.1 None

11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

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