

MID SUFFOLK DISTRICT COUNCIL

COMMITTEE: MSDC Cabinet	REPORT NUMBER: MCa/19/48
FROM: Councillor Peter Gould	DATE OF MEETING: 10 February 2020
OFFICER: Emily Atack Assistant Director Assets & Investments	KEY DECISION REF NO. CAB182

STOWMARKET FOOTBALL CLUB

1. PURPOSE OF REPORT

- 1.1 Mid Suffolk District Council has been in discussions with Stowmarket Community Sports & Social Club Community Interest Company (incorporating Stowmarket Football Club) (referred to throughout this report as the CIC) and Stowmarket Church Charity regarding the club's grounds and surrounding flood land for some time.
- 1.2 The Council owns approximately 2.92 acres of land which forms part of the CIC grounds at Bury Road in Stowmarket, whilst the remaining 8.13 acres is owned by Stowmarket Church Charity (the Church). There is a lease in place between the Council and the Stowmarket Church Charity, which enables the CIC's current use of part of the Church land. This lease expires in March 2025. There is no formal lease in place between the Council and the CIC, they occupy the grounds by way of a Tenancy at Will.
- 1.3 The CIC are seeking to regulate their occupation of MSDC land and provide certainty of occupation in the future, primarily to allow them to secure funding from the Football Association to improve the facilities on site and secure the long term success of the CIC including the football club.
- 1.4 This report recommends an approach to secure an agreement which enables the CIC to remain on the site and to secure the Football Association funding they require to improve the ground and the facilities.

2. OPTIONS CONSIDERED

- 2.1 The following options have been considered:
- 2.2 There are two elements to be considered, the approach to the land within the Council's ownership and the approach to the land currently leased from the Church, which are set out in the options below.

Land within Council's Ownership

- 2.3 **Option 1** Do Nothing – this option has been discounted as it would result in no further action being taken which would not provide the security required by the CIC to get the Football Association funding needed to improve the ground and facilities.

- 2.4 **Option 2** Transfer the land on a freehold basis to the football club. Whilst this option would support the CIC in the short term, the Council would lose control of the future use of the land which may not be in best interests of the community in the longer term.
- 2.5 The CIC are seeking a transfer at a peppercorn. An independent surveyor has assessed the market value of the land is in the order of £12,500. The site also provides access to the Church Land and it is estimated that the value of this access is approximately £20,000 (equal to a third of the value of the Church land), giving a total value in the order of £32,500. If a transfer is made at less than market value, the Council should look to restrict the use of the site in the future and secure an overage arrangement in the event that the site is brought forward for redevelopment in the future, whilst also reserving rights in respect of the access road.
- 2.6 **Option 3** Grant a new 50-year lease to the CIC, with repairing obligations for the site and boundaries. The Council would retain control over the use of the land via the lease.
- 2.7 The CIC are seeking a rent of a peppercorn. An independent surveyor has assessed the market rent for this property (excluding the CIC occupied Church Land) is in the order of £1,250 p.a. This annual subsidy would be recorded as equivalent to a grant.

Land Within Stowmarket Church Charity Ownership

- 2.8 This land is currently subject to a lease between the Council and the Church expiring in March 2025.
- 2.9 **Option 1a** Do Nothing – this option has been discounted as it would result in no further action being taken which would not provide the security required by the CIC to get the Football Association funding needed to improve the ground and facilities.
- 2.10 **Option 2a** – Surrender the existing lease to the Church, to enable a new lease to be granted directly between the Church and the Football Club. This lease would be entered into at the same time as the 50-year lease between the Council and the Football Club.
- 2.11 Mid Suffolk District Council currently pay rent of £15,000 p.a. to Stowmarket Church Charities and receive £4,000 from the CIC who occupy part of the land. The Church would require the shortfall between these amounts to be paid by way of a surrender premium equating to approximately £55,000.
- 2.12 **Option 3a** -Continue the existing lease between the Council and the Church and enter into a sublease to the CIC until the current lease expiry in March 2025 formalising the CIC's current arrangements and continuing the annual cost of £11,000 p.a. to the Council until expiry. This would enable a reversionary (future) lease to be entered into between the Church and the CIC simultaneous to the sublease, which could secure the required land for a further 45 years, providing a total secure term of 50 years.
- 2.13 **Option 4a** - The Council renews the lease with Stowmarket Church Charity for a further 45 years from 25 March 2025 and sub-lets the whole site to the CIC at a

discounted rate (peppercorn). This option has been discounted as it increases the Councils financial liability significantly.

- 2.14 It is recommended that subject to FA funding being confirmed option 3 and option 3a are progressed simultaneously. This would provide the CIC with security in respect of both pieces of land enabling them to attract the necessary funding to improve the ground and its facilities. The Council would reduce its annual costs after 2025, would not be required to pay a surrender premium and would protect its interest in the land in the longer term. The CIC will require written confirmation that the new leases will be granted in due course to obtain the funding from the FA.

3. RECOMMENDATIONS

- 3.1 That Cabinet approve Options 3 and 3a being progressed simultaneously
- 3.2 Approve the grant of a new lease for 50 year at a peppercorn rent of the Council owned land and continue with the existing lease with the Church until expiry in 2025.
- 3.3 Approve the grant of a sublease of the Church land from the Council to Stowmarket CIC which is co-terminus with the existing head lease at an annual rent of £4,000.

REASON FOR DECISION

- 3.4 To enable the CIC to secure occupation and successfully apply for Football Association funding.
- 3.5 To minimise the Councils expenditure and ensure the most effective outcome is reached securing the future of the CIC and enabling it to thrive.

4. KEY INFORMATION

- 4.1 The Council own 2/3 of the pitch and grounds at Stowmarket Football Club, Bury Road, Stowmarket, while Stowmarket Church Charity own the remaining third and additional land leading down to the River Gipping and under the A14. Please see the plan attached Appendix A highlighting the ownerships. The land was previously used as a landfill waste site.
- 4.2 The Council currently has a lease with Stowmarket Church Charity which expires on 25 March 2025 for all the land owned by the Church at a rent of £15,000 p.a. This lease was agreed historically and does not reflect current market conditions.
- 4.3 The Council leased the football grounds (including part of the land owned by the Church) to the CIC which expired on 1 August 2011 at a rent of £4,000 p.a. The Football Club are currently occupying the site on a Tenancy at Will and continue to pay £4,000 p.a. The Council is liable for the difference of £11,000 per annum between the rent payable to the Church and that received from the CIC.
- 4.4 An independent surveyor has determined the market value of the Council owned land to be £12,500 plus a further £20,000 for the value of the access into the adjacent Church land. This valuation takes into account the former use of this site as landfill and its location within flood zones 2 & 3, which means it is an area with a high probability of flooding and consequently any future redevelopment potential is limited

to areas immediately adjacent to the A1308. A copy of the Environment Agency flood zone report is attached as Appendix B.

- 4.5 The approximate total area outside the flood zone 3 and zone 2 is 1.48 acres with the Church's share being approximately 1 acre. The remaining area plus the entrance is within the Council's ownership. Future development of the Church's land would be dependent upon the use of the entrance within the Council's ownership.
- 4.6 Part of the site owned by the Church is designated as 'special landscape area' and used by the public for recreational space (walking). This land does not have any formal designated footpaths across the land.
- 4.7 Discussions have been on-going between the parties for some time. The CIC require confirmation that they have security of occupation for 50 years or more by no later than March 2020 in order to apply for FA funding.
- 4.8 The CIC has provided an indication of their proposals for the site which include providing more covered seating and better changing and wc facilities on site. The benefits to the local community of a thriving football club are; increased public participation from juniors and adults, providing vital recreational time for families whilst aiding the public's physical health and mental health. The football club has a positive impact on other local business proving additional customers on match days and work for local trades. Whilst the football club are significant users of the club and grounds the premises are also open to the community to use and hire for parties, classes and other events.
- 4.9 If options 3 and 3a are approved the benefits to the Football club are; they will secure the FA funding enabling investment and growth of the Football Club. The benefits to the Council are; investing in local recreational facilities and reducing expenditure/outgoings, enabling the £11,000 currently spent annually on this site to be used on other services.
- 4.10 The benefits to the local community of a thriving football club and social club are undisputed, covering many areas from public health (physical and mental wellbeing), wellbeing of playing and supporting members of the club and by extension the wider community, the local economy and the physical appearance of the ground itself. Should the football club secure the required funding this will lead to an expansion of the membership both playing (all ages) and non-playing. Increased public participation from juniors and adults, providing vital recreational time for families whilst aiding the public's physical health and mental health. A thriving and expanding football and social club as has a positive impact on other local business proving additional jobs for local people, employing local companies to supply the additional goods/kit etc and increasing visitors to the town on match days.

5. LINKS TO CORPORATE PLAN

- 5.1 The proposal to support the CIC is in line with our Corporate Plan and key strategies.
- 5.2 Communities Strategy, ensuing that we support Communities enabling them to **thrive** now, and in the future - for all our communities to be **attractive, successful** and **connected** places for people to **live and work**.
- 5.3 Economic Strategy to develop the local economy and encourage market towns to thrive.

6. FINANCIAL IMPLICATIONS

- 6.1 The Council are currently paying a rent to the Stowmarket Church Charity of £15,000 p.a. whilst receiving £4,000 from Stowmarket Football Club. The Council is therefore responsible for the payment of £11,000 p.a. until 25 March 2025.
- 6.2 The Council therefore has a current total financial liability of £11,000 p.a. for the site until March 2025, thereafter the Council will cease to pay rent to the Church and will receive a peppercorn rent from the CIC.

7. LEGAL IMPLICATIONS

State Aid

- 7.1 Where a Local Authority provides financial support to an organisation which is involved in economic activity, it is necessary to consider whether it constitutes State Aid. State Aid can be defined as; 'Using taxpayer-funded resources to provide assistance to one or more organisations, in a way that gives an advantage over others, may be state aid'.
- 7.2 State aid can be avoided by using the Market Economy Investor (MEIP) principle. For example, providing loans or capital on terms that would be acceptable to a genuine private investor who is motivated by return and not policy objectives.
- 7.3 It is important to identify State Aid as something that needs to be considered if the Council is to transfer the property for nil value/undervalue to the football club. EU state aid rules require prior notification of aid unless the aid is covered by the General Block Exemption Regulation (GBER), the aid is de minimis (does not exceed EUR 200,000 per undertaking over 3 fiscal years) or is already under a granted aid scheme.
- 7.4 Funding /grant regarding local infrastructure do not constitute aid because they do not fulfil all the criteria of Article 107(1) of the Treaty – especially where the beneficiary/Applicant does not carry out an economic activity. More so, investment aid for sport and multifunctional infrastructures up to 15m Euro or the total costs exceeding 50m Euro per project can be block exempt under Article 55 of the Treaty. The grant award is therefore expected to be state aid compliant.

8. RISK MANAGEMENT

8.1 The following risks have been identified:

Risk Description	Likelihood	Impact	Mitigation Measures
The CIC and The Church are unable to agree a long-term lease of the neighbouring premises, resulting in funding not being obtained from the FA, which would limit the CIC's ability to thrive.	Unlikely (2)	Bad (3)	The Council has obtained independent advice in relation to the capital and rental value of this land. The CIC are leading discussions with the Church as the Council will not be party to future lease arrangements. The Council is liaising regularly with CIC.
New 50-year lease is granted prior to funding being obtained from FA.	Highly Unlikely (1)	Noticeable (2)	Subject to the agreement of the recommendations within this report the lease will not be granted until funding has been secured.
Reputational risk to Council, should FA funding not be obtained	Unlikely (2)	Noticeable (2)	Council is supporting FA funding bid, failure to obtain funding will not be a consequence of Council's actions.
CIC cease to exist and facility closes.	Unlikely (2)	Noticeable (2)	The Council will retain ownership of the land and will therefore be able to influence the future use of the land in the event that the CIC fails.

9. CONSULTATIONS

9.1 The Council has consulted with the CIC and Stowmarket Church Charity.

10. EQUALITY ANALYSIS

The content of this report is such that there are no equality issues arising directly from this report and an Equality Impact Assessment (EIA) is not required.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications in respect to this report.

12. CONCLUSIONS

12.1 The Council has been in discussions with the CIC and Stowmarket Church Charity for a number of years. The success on the pitch of Stowmarket Football Club has resulted in the need for improved site facilities. The CIC have identified funding from the FA to fund these improvements, who in turn have confirmed the need for a longer lease to release funding. The Council has supported the CIC and is legally committed to continue doing so until 2025. The success of the CIC and Football Club has health and well-being, financial and economic benefits for the town.

12.2 Granting a longer-term lease of the Council owned land provides the club with the security it needs whilst also protecting the Council's future interests. A sublease of the Church owned land will also provide the security the CIC require (subject to Stowmarket Church Charity also granting a longer- term lease) whilst mitigating the Councils' long-term financial exposure.

13. APPENDICES

Title	Location
A. Plan of the existing ownerships	Attached
B. Environmental Agency Flood Zone Classification	Attached