

Cheltenham Borough Council

Council - 30 March 2009

Consideration of the council making a loan to Cheltenham Town Football Club

Report of the Chief Executive

1. Executive Summary and recommendation

1.1 The issue

1.1.1 Cheltenham Town Association Football Club (CTFC) has approached the Council with a view to the granting of a loan to assist the club's cash flow until the end of the 2008/09 football season.

1.1.2 The football club is unable to restructure its expenditure until the end of the existing season as the largest item of expenditure, i.e. player contracts, cannot be re-negotiated until this time.

1.1.3 The granting of a loan is an executive function of the Cabinet and as such cannot be referred to full Council for a decision. Section 13 (10) of the Local Government Act 2000 prevents this. In order to facilitate an open and cross party debate upon the strength of the case for making a loan, the Cabinet, at its meeting on the 17th March 2009, delegated authority to me to make the final decision in respect of making a loan. The purpose of this report is to prompt a council debate on a recommendation for the granting of a loan based on the impact that the football club has on Cheltenham in terms of economic wellbeing of the town and the community and social impact.

1.2 For the purpose of debate I therefore recommend:

1.3 that a £100,000 loan is granted to the football club subject to the production of a Business Plan which sets out how the football club will restructure its expenditure to ensure future sustainability

1.4 that the loan is repayable over 10 years in equal monthly instalments of £833.33 plus daily calculated interest which is equal to the Bank of England base rate

1.5 that the loan be secured by Directors' guarantee and that if a loan is agreed, to delegate authority to the Chief Executive in consultation with the Borough Solicitor and Monitoring Officer to agree the details of any documentation needed and to execute such documents on behalf of the Council

1.6 Summary of implications

- 1.6.1 Financial** As outlined in the report. The loan would be repayable in equal monthly instalments plus interest calculated daily and track the Bank of England base rate. This will ensure that the loan is being granted on a commercial basis and will not, therefore, be subsidised by council taxpayers.

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- 1.6.2 Legal** As outlined in the report

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- 1.6.3 Human Resources** None directly from this report

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1.7 Implications on corporate and community plan priorities

- 1.7.1** The purpose of the loan would be to improve CTFC's cash flow during the current economic downturn. CTFC is a relatively successful football club which aims to give everyone access to a wide variety of social and sporting opportunities as stated in the Council's Community Strategy.

1.8 Statement on Risk

- 1.8.1** There is potential for adverse public reaction to the granting of this loan as it could prompt requests from other businesses that are facing similar pressures in the current economic downturn and we need to be clear why CTFC could be seen as a particularly deserving case.
- 1.8.2** If the loan were not repaid by the club then the Council would carry a risk to its reputation for financial prudence as well as the obvious financial impact although the security by Directors' guarantee mitigates the risk to the Council of non-payment.
- 1.8.3** On the other hand there are a number of risks identified if the Council does not agree to the granting of the loan such as:
- The possibility of the football club going into administration and the implications that could have with regards to its existing creditors and the local economy as a whole.
 - The implications for the Cheltenham Town Community, Education and Sporting Trust, a charity founded by the football club in May 2008 which does a substantial amount of work in the community.

2. Background

- 2.1** Cheltenham Town Football Club have a 99 year lease with 10 year rent reviews from 2006 on the 5 acre site Whaddon Road ground currently paying £7,500 a year.
- 2.2** The club attained Football League status in 1999 having won the FA Trophy the previous year and are currently plying their trade in League 1 having gained promotion in the 2005/06 season.

3. Introduction

- 3.1** Cheltenham Town Association Football Club (CTFC) has approached the Council with a view to the granting of a loan to assist the club's cash flow until the end of the 2008/09 football season.
- 3.2** The Council has powers to make a loan under the Local Government Act 2000 which allows for the 'promotion of well-being'. The Act states that every local authority has the power to do anything which they consider is likely to achieve any one or more of the following objects:
- the promotion or improvement of the economic well-being of the area,
 - the promotion or improvement of the social well-being of their area, and
 - the promotion or improvement of the environmental well-being of their area.
- 3.3** The power may be exercised in relation to or for the benefit of:
- the whole or any part of a local authority's area, or
 - all or any persons resident or present in a local authority's area.
- 3.4** In determining whether or how to exercise the power, a local authority must have regard to their Community Strategy.
- 3.5** The power includes power for a local authority to:
- incur expenditure,
 - give financial assistance to any person,
 - enter into arrangements or agreements with any person,
 - co-operate with, or facilitate or co-operate the activities of, any person,
 - exercise on behalf of any person any functions of that person, and
 - provide staff, goods, services or accommodation to any person.
- 3.6** The granting of a loan is an executive function of the Cabinet and as such cannot be referred to full Council for a decision. Section 13 (10) of the Local Government Act 2000 prevents this. In order to facilitate an open and cross party debate upon the strength of the case for making a loan, the Cabinet, at its meeting on the 17th March 2009, delegated authority to me to make the final decision in respect of making a loan.

- 3.7** In order that I can facilitate a full and informed debate at Council it was important for me to be able to quantify the impact that the football club has on Cheltenham in terms of the economic wellbeing of the town and the community and social impact. A community contribution assessment is attached.
- 3.8** I have also asked the Chief Finance Officer to ensure that there, should council approve a loan, there is a solid business case for the granting of a loan in financial terms. In order for this to happen, Officers will need to review business plans and accounts made available by the football club. The recommendation at 1.3 clearly reiterates that the granting of a loan is subject to the production of a Business Plan which sets out how the football club will restructure its expenditure to ensure future sustainability.
- 3.9** If a loan were agreed by the Council appropriate legal documentation would be completed to safeguard the Council's position according to the terms of the loan.

Background Papers

Report Author	Andrew North, Chief Executive, 01242 264100, andrew.north@cheltenham.gov.uk
Accountability	Leader of the Council
Scrutiny Function	Economy and Business Improvement