

Name of meeting: Cabinet

Date: 20 March 2018

Title of report: Provision of loan facility in respect of the Snow Sports Centre scheme which forms part of the wider HD One scheme.

Purpose of report:

To seek approval to amended terms for the above loan facility previously approved by Cabinet on 20th September 2016

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports) ?	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by Strategic Director & name	Karl Battersby - 7.03.18
Is it also signed off by the Service Director - Finance, IT and Transactional Services?	Debbie Hogg - 6.03.18 <i>Eamonn Croston for and on behalf of</i>
Is it also signed off by the Service Director - Legal Governance and Commissioning?	Julie Muscroft - 12.03.18
Cabinet member portfolio	Corporate

Electoral wards affected: N/A

Ward councillors consulted: N/A

Public or private: Public report with private appendix

This report is recommended for consideration in private session because the information contained in it is considered to be exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006. The report is recommended for consideration in private because it contains commercially sensitive information about third parties. The public interest in maintaining confidentiality of the information outweighs the public benefit of disclosing the information for reasons of open governance.

1. **Summary**

Cabinet at its meeting on September 20th 2016 (a copy of the relevant report is attached as Appendix 1) agreed in principle to offer a secured debt facility to Kirklees Stadium Development Ltd (KSDL) to allow KSDL to invest to acquire a majority equity stake in the Special Purpose Vehicle (SPV) company which will be set up to develop and manage the operations of the Snow Sports Centre (SSC) which will form the main visitor attraction being created as part of the wider HD One development on land adjacent to the John Smith's Stadium site in Huddersfield.

As negotiations between the various parties involved in the setting up of the SPV have progressed over the period since late 2016 it has become apparent that a more advantageous structure for the SPV would be for the Council loan to be provided direct to the SSC SPV with the provision of appropriate security for the loan from KSDL during the construction and early operational phase of the SSC. Once the SSC is trading successfully the assets of the SPV would be valued for security purposes with a view to transferring the security for the Council loan from KSDL to the SPV. If at the point the valuation advice is received, it is felt that there is not sufficient security value in the assets of the SSC SPV, then the Council security required would remain in whole or in part on the assets of KSDL.

As this is a different structure from that which was reported to Cabinet in September 2016 Cabinet approval is being sought to amend the previously approved recommendations to reflect the revised structure.

2. **Information required to take a decision**

The detailed information required for Cabinet to form a view on the request is set out in the Private Appendix to this report.

3. **Implications for the Council**

3.1 **Early Intervention and Prevention (EIP)**

N/A

3.2 **Economic Resilience (ER)**

The SSC is the core attraction of the wider HD One development which will create a regional leisure destination (average one hour travel time) destination for Kirklees. The HD One development as a whole will create substantial Business Rate income and employment opportunities.

3.3 **Improving Outcomes for Children**

N/A

3.4 **Reducing demand of services**

N/A

3.5 Legal/Financial or Human Resources

The Council has the powers to provide the Loan Facility using the General Power of Competence under Section 1 of the Localism Act 2011. Provision is made in the approved Capital Investment Plan for the Loan Facility to be provided. The Loan will be given at a rate of interest that reflects the Council's costs of borrowing and a suitable margin to cover risk. The loan will initially be secured on the assets of KSDL in the construction and early trading phase and will be transferred in part or whole to the assets of the SSC SPV only as and when valuation advice indicates that this would be appropriate and that the assets of the SSC SPV constitute sufficient security for the balance of the Loan Facility outstanding at that time.

4. **Consultees and their opinions**

N/A

5. **Next steps**

Detailed due diligence on the proposal will be carried out by officers and a suitable Loan Facility Agreement negotiated and put in place.

6. **Officer recommendations and reasons**

It is recommended that Cabinet;

- a. Agree to support, in principle, an offer of secured loan funding to the Snow Sports Centre SPV that will develop the snow sports facility at the John Smith's Stadium site.
- b. Authorise the Strategic Director Economy & Infrastructure, supported by the Councils S151 Officer and the Service Director Legal, Governance and Commissioning, to enter into detailed due diligence on the loan proposal and progress negotiations on appropriate legal documentation to offer a secured loan.
- c. Delegate authority to the Chief Executive in consultation with the relevant Portfolio Holders to agree the final terms of the loan offer.
- d. Delegate to the Service Director Legal, Governance and Commissioning the authority to negotiate and enter into any documentation required in connection with the proposed loan.

The reasons for these recommendations are that, subject to due diligence and subsequent advice and negotiation, these proposals are the safest and securest way of proceeding to make the proposed loan whilst minimising the risk to the Council in doing so. Facilitating the loan will ensure construction of the SSC which is the core attraction of the wider HD One. The HD One development as a whole will create substantial Business Rate income and employment opportunities but would not be viable without this core attraction.

7. **Cabinet portfolio holder's recommendations**

Cabinet Portfolio Holders:-

- a. Support, in principle, an offer of secured loan funding to the Snow Sports Centre SPV that will develop the snow sports facility at the John Smith's Stadium site.
- b. Agree to authorise the Strategic Director Economy & Infrastructure, supported by the Councils S151 Officer and the Service Director Legal, Governance and Commissioning, to enter into detailed due diligence on the loan proposal and progress negotiations on appropriate legal documentation to offer a secured loan.
- c. Agree to delegate authority to the Chief Executive in consultation with the relevant Portfolio Holders to agree the final terms of the loan offer.
- d. Agree to delegate to the Service Director Legal, Governance and Commissioning the authority to negotiate and enter into any documentation required in connection with the proposed loan.

8. **Contact officer**

Paul Kemp
Service Director Economy, Regeneration and Culture

9. **Background Papers and History of Decisions**

Cabinet Report Provision of loan facility to Kirklees Stadium Development Ltd (KSDL) for investment purposes. Cabinet 20th September 2016.

10. **Service Director responsible**

Paul Kemp
Service Director - Economy, Regeneration & Culture
(01484) 221000
paul.kemp@kirklees.gov.uk

APPENDIX 1

CAB-16-012



Name of meeting: Cabinet
Date: 20th September 2016

Title of report: Provision of loan facility to Kirklees Stadium Development Ltd (KSDL) for investment purposes.

Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Is it in the Council's Forward Plan ?	Yes
Is it eligible for "call in" by Scrutiny ?	Yes
Date signed off by <u>Director</u> & name	Jacqui Gedman 12.9.16
Is it signed off by the Director of Resources?	David Smith 8.9.16
Is it signed off by the Assistant Director - Legal, Governance & Monitoring?	Julie Muscroft 9.9.16
Cabinet member portfolio	Councillor Graham Turner - Asset Strategy, Resources and Creative Kirklees(Arts)

Electoral [wards](#) affected: N/A Impact is beyond the immediate ward
Ward councillors consulted: Cabinet
Public or private: Public Report with Private Appendix

1. Purpose of report

- 1.1 To consider a proposal from Kirklees Stadium Development Ltd (KSDL) for the Council to provide secured debt funding to KSDL which would allow KSDL to take a majority equity stake in the outdoor Snow Sports Centre (SSC) which is the centrepiece visitor attraction of the wider HD One Development planned for the John Smith's Stadium site in Huddersfield. If Cabinet is minded to support the request in principle that officers be authorised to carry out appropriate due diligence on the proposal and detailed negotiation on the relevant documentation and agreements required and that the Chief Executive, in consultation with the relevant Portfolio Holder, be given delegated authority to agree the detailed terms of any loan to KSDL and also agree on behalf of the Council the terms by which KSDL makes its equity investment in the Special Purpose Vehicle that will develop the SSC. In addition the Assistant Director Legal, Governance and Monitoring be given the delegated authority to enter into any documentation required in connection with the proposed loan.

2. Key points

- 2.1** The detailed information required for Cabinet to form a view on the request from KSDL is set out in the Private Appendix to this report.

3. Implications

3.1 Financial

In terms of funding the loan advance to KSDL it is proposed that this would be funded from the Risks and Pressures budget within the approved Capital Plan. The terms of the loan would be such that the costs of the Council borrowing and an appropriate margin will be met by KSDL.

3.2 Legal

The Council has the powers to provide a loan facility to KSDL using the General Power of Governance under Section 1 of the Localism Act 2011.

4. Officer recommendations and reasons

It is recommended that Cabinet:

- a.** Agree to support in principle, an offer of secured debt to KSDL to allow KSDL to invest to acquire a majority equity stake in the Snow Sports Centre Special Purpose Vehicle (SPV) that will develop such a facility at the John Smith's Stadium site, Huddersfield.
- b.** Authorise the Assistant Director Place (Investment and Regeneration) supported by the Assistant Director, Financial Management, Risk, IT and Performance and the Assistant Director, Legal, Governance & Monitoring, to enter into detailed due diligence on the documentation required to progress a) above and to progress negotiations on a loan to provide secured debt.
- c.** Delegate authority to the Chief Executive, in consultation with the relevant Portfolio Holder, to agree the final terms of the loan with KSDL and give consent on behalf of the Council to the terms by which KSDL makes its equity investment into the Special Purpose Vehicle for the Snow Sports Centre.
- d.** Delegate to the Assistant Director (Legal, Governance & Monitoring), the authority to enter into any documentation required in connection with the loan to KSDL.

5. Portfolio Holders Recommendation

The Portfolio Holder, Cllr Graham Turner, supports the officer recommendations as they will assist in securing the investment for the overall HD One scheme.

6. Contact Officer

Paul Kemp
Assistant Director – Place (Investment and Regeneration)
Tel: 01484 221000
Email: paul.kemp@kirklees.gov.uk

7. Assistant Directors responsible

Julie Muscroft
Assistant Director - Legal, Governance & Monitoring
Tel: 01484 221000
Email: julie.muscroft@kirklees.gov.uk

Paul Kemp
Assistant Director - Place and KSDL Company Secretary
Tel: 01484 221000
Email: paul.kemp@kirklees.gov.uk

Debbie Hogg
Assistant Director - Financial Management, Risk, IT and Performance
Tel 01484 221000
Email: debbie.hogg@kirklees.gov.uk