

**Name of meeting:** Cabinet  
**Date:** 17<sup>th</sup> October 2023  
**Title of report:** Kirklees Stadium and Kirklees Stadium Development Ltd  
 Further revisions to the previously agreed approach

**Purpose of report**

To provide an update on progress in relation to the proposed realignment of control and responsibilities in relation to Kirklees Stadium Development Ltd

Key Decision - Is it likely to result in spending or saving £500k or more, or to have a significant effect on two or more electoral wards?	Yes Proposed spending in excess of £500k
Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a>	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by Strategic Director and name	David Shepherd – 05. 10. 23
Is it also signed off by the Service Director - Finance?	Isabel Brittan 05.10. 23
Is it also signed off by the Service Director -Legal Governance and Commissioning?	Julie Muscroft 05. 10. 23
Cabinet member <a href="#">portfolio</a>	Cllr Paul Davies Corporate Cllr Graham Turner Regeneration/Finance

**Electoral wards affected: all- (Dalton ward)**

**Councillors consulted: N/A**

**Public or private: Public with a private appendix A**

Appendix A of this report is in private in accordance with Schedule 12A of the Local Government Act 1972 namely it contains information relating to the financial and business affairs of a third party. It is considered that disclosure of the information would adversely affect KSDL and therefore the public interest in maintaining the exemption, which would protect the rights of an individual or the Council, outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

**Has GDPR been considered? Yes**

## 1. Summary

- 1.1 Kirklees Stadium Development Limited (KSDL) was established originally in 1992. The current structure created a standalone Stadium management and development business to manage the Stadium for the benefit of both professional clubs, Huddersfield Town AFC (HTAFC) and Huddersfield Giants (HRLFC) as well as for the benefit of the community. This solution separated the assets from individual control of either of the clubs, procured the building of the new Stadium and has supported a decent quality facility over a 26-year period, with KSDL shareholders being Kirklees Council (40% shareholding), HTAFC (40% shareholding) and Huddersfield Sporting Pride – known as Huddersfield Giants or HRLFC (20% shareholding).
- 1.2 Whilst the arrangement enabled operation of the Stadium for more than 26 years, during 2020 and 2021 it was identified that for various reasons, relating to the need for additional investment- in refurbishment, it was appropriate to amend arrangements for the management to seek to ensure:
- i) the Stadium did not become a source of reputational damage to the Council or financial burden to local taxpayers.
  - ii) the long-term tenure of professional sport- HTAFC and HRLFC at the Stadium.
  - iii) financial sustainability over the longer term and delivery of longer-term Stadium operational investment requirements
  - iv) complementary regeneration opportunities for an enterprise corridor between the Stadium and the town centre
- 1.3 In March 2021, the Cabinet endorsed the development of a Community Trust operating model that was considered most suitable to delivering the above objectives, Cabinet also approved a complimentary regeneration opportunity for the strategic acquisition of a land asset. Negotiations to create the Community Trust took place during 2021 but a change in the ownership of HTAFC (it reverting to the control of the previous owner), and matters related to historical financial liability, caused further delay. In later 2022 it was believed that a solution with which all parties to KSDL were in broad agreement had been identified, which led to a report to Cabinet in December 2022.
- 1.4 Since that time, ownership of HTAFC has changed.
- 1.5 It has become clear that features of the previous in principle agreement may not be acceptable to at least one of the parties.
- 1.6 All decisions related to KSDL are required by its constitution to be by agreement of all parties, which can make delivery of an outcome difficult. This report suggests a degree of further flexibility on the part of Council officers to negotiate a solution.
- 1.7 It is important that the Council achieves a position where responsibility for future operation of the Stadium, and its financial consequences lies clearly with those who are the principal users and beneficiaries, that is HTAFC and HRLFC.

## 2 Information required to take a decision

### 2.1 Previous Proposals

- 2.1.1 Following on from the April 2021 agreement to a Community Trust model with lending by the Council to facilitate improvements, the revision agreed by Cabinet in December 2022 provided for officers:
- (a) Conduct negotiations with the current principal occupier- Huddersfield Town

Association Football Club (HTAFC), with a view to HTAFC taking full operational control of the facility

- (b) Conduct negotiations with other current leaseholders, etc as necessary
- (c) Agree terms that involve an element of debt write off to facilitate such an agreement.
- (d) Enter into such any agreements on the Council's behalf necessary to give effect to such an agreement if they are satisfied with such outcomes.
- (e) A report to be brought back to Cabinet to update Members on progress on the recommended actions set out in this report.

## **2.2 Current Position**

- 2.2.1 The dynamic nature of the activities of the other parties to the Stadium agreements means that there is an ever-changing position.
- 2.2.2 Ownership of HTAFC changed again, when the club was sold to Mr Kevin Michael Nagel, controlled through a company Town FC, LLC registered in California USA (reg number 201518310107)
- 2.2.3 It was previously believed that all parties wished the responsibility for and control of KSDL should pass to HTAFC, but there is now a lack of clarity about the conditions that might lead to this outcome.
- 2.2.4 The Council, through its directors, officers and exercises of shareholder decisions has been clear that it does not wish to be involved in the future management of KSDL or the Stadium and have made clear that beyond the financial restructuring that has already been agreed, the Council will not contribute further funding to facilitate the day to day operation of KSDL.
- 2.2.5 Its continued ability to operate (as a going concern) is based on commitments by the other parties to ensure that the company has adequate cashflow to ensure that it can meet its obligations, and by a Council agreement not to pursue debts outstanding at the present time.
- 2.2.6 As noted above, the previous agreement was that officers could negotiate a settlement position that provided for HTAFC to take operational control which given the corporate structure would require them to acquire all of the shares.
- 2.2.7 An alternative option is for the other two parties to agree a structure whereby either HTAFC or Huddersfield Sporting Pride Ltd (HRLFC) take effective control individually or together but this is not provided for by the current Cabinet authority.
- 2.2.8 It is suggested that having wider options for negotiation of a solution that meets the needs and desires of both Clubs would be desirable.
- 2.2.9 It is also important that in this arrangement the owners provide evidence of an effective operating model that meets their needs and gives the Council as freeholder some assurance. It should also provide a settlement where all of the parties appear to have benefited fairly from their period of ownership.
- 2.2.10 It is believed that the financial position offer made already by the Council should be adequate to enable progress to be made.
- 2.2.11 It is possible that for various reasons, the other parties will choose not to complete any arrangements for some months, probably not until Spring 2024 at the earliest. This is considered adequate, as long as the clubs continue to ensure the company has sufficient cashflows to enable it to solvently trade.

## **3. Implications for the Council**

### **3.1 Working with People**

The revised proposals will continue to provide some potential input to community service delivery.

### **3.2 Working with Partners**

The revised proposal involves a continuing dialogue to reach a solution with HTAFC and HRLFC.

### **3.3 Place Based Working**

The project will support the Council's commitment to place-based working. Resolving issues related to KSDL will facilitate the Council's wider focus on the regeneration of the 'Station to Stadium' Corridor that will bring forward strategic investment opportunities.

### **3.4 Climate Change and Air Quality**

Resolution of issues re KSDL should create the opportunity for investment in the facility, which may involve refurbishment to reduce demand for energy.

### **3.5 Improving outcomes for children and young people**

There may be opportunities in negotiating new arrangements to facilitate some involvement

### **3.6 Financial Implications for the people living or working in Kirklees**

There are no direct cost impacts on the Kirklees community, although indirectly they will meet costs through any debt write off or financial support.

### **3.7 Other (e.g., Legal/Financial or Human Resources)**

As noted earlier, the current structure of KSDL requires all parties to agree to any restructuring.

Legal and finance resources will be required to conduct detailed due diligence and enter into the necessary legal documentation. Specialist advice may be needed on leases, company structure and taxation, which will be obtained if necessary

## **4. Consultation**

The Head of Risk comments that any default by any future core tenant in meeting its obligations, including that to keep the property in a long-term good state of repair may have an impact on the Council's finances, and reputation, although the immediate direct impact will be on the occupiers and operators, which under any proposed model would be one or both of the clubs operating at the site.

## **5. Engagement**

Engagement has taken place with all those with current direct commercial interest.

## **6. Next steps and timelines**

The intention is that, subject to Cabinet endorsement of the proposals set out above, Council officers will continue to seek to negotiate a potential outcome with the current occupiers.

Officers consider that the slightly revised approach outlined in this report is the best approach to achieve an effective balance between the provision of Stadium facilities, the needs of the users, and the Council.

## **7. Officer recommendations**

Cabinet has previously agreed that the Strategic Director for Growth & Regeneration in consultation with the Chief Executive, Service Director Finance and Service Director Legal, Governance and Commissioning, and with the portfolio holders for Regeneration & Finance and Corporate be authorised to enter into such any agreements on the Council's behalf necessary to give effect to such an agreement, if they are satisfied with such

outcomes. Cabinet is now asked to note additionally (as an amendment to the previous resolution 1) on 21 December 2022 that officers:

Conduct negotiations with the HTAFC and HRLFC regarding the KSDL agreement, with a view to them taking full operational control of the facility (and other current leaseholders, etc as necessary).

A report will be brought back to Cabinet in due course to update Members on progress on the recommended actions set out in this report.

## **8. Cabinet portfolio holder(s) recommendations**

Cllr Graham Turner, Regeneration & Finance portfolio holder states:

It is important that the issue of KSDL is resolved to the benefit of all existing shareholders.

The financial position of KSDL as outlined in the report is reliant on the financial support of the clubs. This is not sustainable over the long term therefore a negotiated agreement with all shareholders is vital to the long-term success of the stadium and of both clubs.

It is also important that the negotiations protect the interests of the Council and the residents of Kirklees.

I fully support the recommendations within this report to enable officers to negotiate a satisfactory outcome for all shareholders, the Council, and the residents of Kirklees.

## **9. Contact Officer**

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## **10. Background Papers and History of Decisions**

Cabinet report 16<sup>th</sup> March 2021, December 21<sup>st</sup>, 2022.

## **11. Service Director responsible**

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