

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

31 OCTOBER 2017

JOINT REPORT OF THE CORPORATE DIRECTOR COMMUNITIES AND HEAD OF FINANCE

CLUB PENYBONT ESCROW MONIES

1. Purpose of this report

- 1.1 The purpose of this report is to seek Cabinet opinion on a request from Club Penybont Limited to draw down the remaining balance of their monies held in Escrow following the sale of land to ASDA for the development of land at Llangewydd Road Playing Fields, Bryntirion.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 A thriving football club, along with associated facilities, within the County Borough contributes to supporting a successful economy.

3. Background

- 3.1 As part of the ASDA redevelopment in Bridgend town centre, Bridgend AFC Ltd was required to relocate from the Coychurch Road site. In compensation for this move, a sum of £2 million was provided by the developer to be held in two escrow accounts, administered by Bridgend CBC, to provide replacement site and facilities within the County Borough of Bridgend.
- 3.2 The Coychurch Road site was owned by Bridgend CBC and provided to the Football Club on a 25 year lease. Any replacement site would be provided on the same basis with Bridgend CBC owning the site and leasing it to the club. For this reason the £2 million held was split as follows:
- £210,000 for Bridgend CBC to purchase a replacement site or sites
 - £1,790,000 for the football club to provide replacement facilities e.g. pitch, clubhouse and changing facilities.
- 3.3 Since the original Escrow agreement, there have been a number of variations and extensions to the agreement. However, there remains £50,000 within the second escrow for the football club to provide replacement facilities and it is this money that the Club, now known as Club Penybont Limited, is requesting to draw down. This will be a loan to the Club who will be required to repay it back to the Council so that the escrow can be replenished.

4. Current Situation / Proposal

- 4.1 The most recent draw down of Escrow monies was used for the provision of two 3G pitches at Bridgend College - Pencoed Campus and at Bryntirion and an extension of the Bryntirion Clubhouse.
- 4.2 Within the lease agreement for the Pencoed 3G pitch, there is a provision to build up a sinking fund for the replacement of the pitch once its usable life expires. Bridgend College pay the Council, as Landlord, £10,000 per annum and this is held in a separate escrow account. The current balance as at 31 March 2017 is £20,000.
- 4.3 For the Bryntirion 3G pitch, one condition was that the Council held back £50,000 of the original escrow to allow for the reinstatement to grass, in the event that the Club breaches the lease conditions (e.g. insolvency) and hands back the 3G pitch in poor repair at the end of the lease.
- 4.4 Club Penybont has requested access to this money to enable them to undertake further development at the Bryntirion site. The release of the £50,000 would be utilised solely for works to comply with FAW tier 2 compliance which requires a new 250 seater stand. This stand has to be in place by 30 April 2018. Failure to comply will result in Club Penybont being relegated. This could affect their FAW Academy status, whereby they currently run squads for district schools and an academy for age groups 11,12,13,14 and 16 years of age, with 18 children per squad and up to a maximum of 3 per squad on trial. The Club are securing additional funding from a number of other sources.
- 4.5 While releasing funds to the Club could amount to a grant of state aid such aid would not amount to unlawful State Aid as the level of funds fall below the current De Minimis Aid Regulations threshold.

5. Effect upon policy framework & procedural rules

- 5.1 None

6. Equality Impact Assessment

- 6.1 There are no implications in this report.

7. Financial implications

- 7.1 The Council holds a balance of £50,000 in an escrow account for the reinstatement to grass at Bryntirion. If Cabinet is minded, this could be released to Club Penybont and used to further develop the Bryntirion site.
- 7.2 The Council would require confirmation from the Board of Trustees for Club Penybont that the £50,000 would be repaid into the escrow account over a period of 8 years at a rate of £6,250 per year following completion of the development. The repayment period for the loan would be within the lease period which is for 25 years.

7.3 A legal charge will also be placed on the Club's leasehold interest in the land to protect the repayment of the loan.

8. Recommendation

8.1 It is recommended that Cabinet authorises Club Penybont to access the balance of their escrow account of £50,000 to allow them to further develop the Bryntirion site. This is on the basis that the £50,000 is repaid into the escrow account over the eight years following the completion of the development.

Mark Sheppard
Corporate Director Communities

Randal Hemingway CPFA
Head of Finance
6 October 2017

Contact Officer : Randal Hemingway, Head of Finance
Mary Williams, Group Manager – Chief Accountant

Telephone : (01656) 643605

E-mail : Mary.Williams2@bridgend.gov.uk

Postal address: Raven's Court, Brewery Lane, Bridgend, CF314AP

Background Documents:

Legal agreement Bridgend CBC with Bridgend AFC