

STOCKPORT COUNTY FC – LONG LEASEHOLD

Report of the Director of Development and Regeneration

1.0 PURPOSE OF THE REPORT

- 1.1 To approve the revised terms for the grant of a 250 year lease to Stockport County Football Club.

2.0 BACKGROUND

- 2.1 In March 2022, Cabinet approved the grant of a new long lease of 250 years to the Club. There remained at this point a number of commercial drafting points which were still to be agreed between the Council and the Club.
- 2.2 In January 2024, Cabinet approved a Memorandum of Understanding between the Council and the Club which established a collaborative way of working between the two parties and to ensure the continued alignment between the Council and the Club in delivering the best outcomes for the whole Borough.
- 2.3 This report also highlighted the new 250 year lease between the Council and Club had not yet completed but it was the intention of both parties for this to be completed as soon as possible.
- 2.4 Both parties have refocussed their efforts to achieve this over the last few weeks and the proposal set out below looks to resolve the outstanding commercial points to allow the completion of the new lease by the end of April 2024.

3.0 PROPOSED TERMS FOR 250 YEAR LEASE ON EDGELEY PARK

- 3.1 When Edgeley Park was acquired by the Council in July 2015, the primary reason was to ensure that Edgeley Park remained a football stadium and Stockport County could continue to play there. This was a key consideration in the proposed grant of a 250 year lease and further assurances were agreed to ensure this remains the case.

- 3.2 Firstly the Council would retain the freehold of the ground and also the stadium will only be permitted to be used as a sports stadium and functions ancillary thereto. Both of these safeguards remain in place in the proposed transaction for which approval is sought.
- 3.3 The approval in March 2022 was based on a one-off capital premium for the grant of the new lease to recoup all costs which the Council incurred in the original acquisition of Edgeley Park.
- 3.4 Given the investment required into the ground, it is now proposed that the Club pay an increased rent of £88,039 pa until 2066 at which point the rent will revert to a peppercorn. This will ensure that there are no general fund financial implications arising from acquisition of Edgeley Park.
- 3.5 In addition, the Club will have an option between the completion of the new lease and 2066 to make a capital premium equal to the debt outstanding related to the acquisition at which point the rent would revert to a peppercorn.
- 3.6 The proposed transaction remains in the spirit of the Council's original intention of securing the future of football at Edgeley Park whilst fully recouping the investment it made back in 2015.

4.0 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 4.1 The proposed structure ensures that there are no future general fund financial implications and the rent payable will cover the capital financing obligations as a result of the acquisition by the Council. Whilst this is a longer financial commitment than the current lease with the Club which runs until 2045, the rent remains at a level which we are comfortable is affordable to the Club.
- 4.2 The lease will contain a forfeiture provision if the Club fail to pay the agreed rent on the ground at which point the 250 year lease would fall away and the ownership revert back to the Council's freehold.
- 4.3 The valuation which was undertaken by Avison Young in November 2021 which underpinned the March 2022 Cabinet decision used Depreciated Replacement Cost as the recommended RICS Red Book approach for valuing stadia.
- 4.4 Given the stadium is now two years' older which has reduced its economic lifespan and build cost inflation has been, by any measure, at least 20-25% over that period with a corresponding impact on land values, we believe that the structure of the proposed transaction represents the current value of the asset with the safeguards in place as set out in 3.2 above.

5.0 LEGAL CONSIDERATIONS

5.1 There are no legal considerations or risks at this time beyond those highlighted in the 2022 Cabinet report.

6.0 HUMAN RESOURCES IMPACT

6.1 No impact on human resource resources created by the transaction.

7.0 EQUALITIES IMPACT

7.1 No impact on human resource resources created by transaction.

8.0 ENVIRONMENTAL IMPACT

8.1 There is no environmental impact created by the transaction. The proposed expansion of the stadium is not a consideration for this report and will be dealt with by the Local Planning Authority at the point an application is received.

9.0 CONCLUSIONS AND RECOMMENDATIONS

9.1 Corporate, Resource Management and Governance Scrutiny Committee are asked to note the content of this report and provide any comments for Cabinet.

9.2 Cabinet are asked to:

- to approve the terms of the proposed 250 year lease between the Council and Stockport County Football Club; and
- Delegate authority to the Director of Development and Regeneration and Deputy Chief Executive (Corporate and Support Services), in consultation with the Cabinet Member for Finance and Resources to complete the transaction; and
- Delegate authority for the Assistant Director (Legal & Democratic Governance), to take such steps and complete such agreements as are necessary to implement the resolutions recommended in this report and any decisions properly made under authority delegated by these resolutions

BACKGROUND PAPERS

None