

# Agenda

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## City Executive Board

Date: **Tuesday 15 May 2018**

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Time: **3.00 pm**

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Place: **St Aldate's Room, Town Hall**

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For any further information please contact:

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Details of how City Councillors and members of the public may engage with this meeting may be found on page 5 of this agenda.

As a matter of courtesy, if you intend to record the meeting please let the Committee Services Officer know how you wish to do this before the start of the meeting.

# City Executive Board

## Membership

Membership of the City Executive Board will be confirmed prior to this meeting, following the Local Government elections held on 03 May 2018.

Future items to be discussed by the City Executive Board can be found on the Forward Plan which is available on the Council's [website](#)

## **Copies of this agenda**

Reference copies are available to consult in the Town Hall Reception. Agendas are published 6 working days before the meeting and the draft minutes a few days after.

All agendas, reports and minutes are available online and can be:

- viewed on our website – [mycouncil.oxford.gov.uk](http://mycouncil.oxford.gov.uk)
- downloaded from our website
- viewed using the computers in the Customer Services, St Aldate's, or
- subscribed to electronically by registering online at [mycouncil.oxford.gov.uk](http://mycouncil.oxford.gov.uk)

# AGENDA

## PART ONE PUBLIC BUSINESS

Pages

- 1 APOLOGIES FOR ABSENCE
- 2 DECLARATIONS OF INTEREST
- 3 ADDRESSES AND QUESTIONS BY MEMBERS OF THE PUBLIC ON THE ITEM ON THE AGENDA
- 4 COUNCILLOR ADDRESSES ON THE ITEM ON THE AGENDA
- 5 LOAN GUARANTEE RE OXFORD HARLEQUINS RUGBY FOOTBALL CLUB. 7 - 12

The Head of Financial Services and Head of Community Services have submitted a report to consider a loan guarantee to the Rugby Football Union in respect of a £100k loan to Oxford Harlequins Rugby Football Club.

**Recommendations:** That the City Executive Board resolves to:

**To make a recommendation** to Council to provide a loan guarantee to the Rugby Football Union in respect of a loan of up to £100k to Oxford Harlequins Rugby Football Club for funding improvements to changing room facilities at Horspath Athletic Grounds, on terms agreed in advance by both the Council's Head of Financial Services and the Executive Director for Sustainable City.

### 6 DATES OF FUTURE MEETINGS

Meetings are scheduled for the following dates:

- 22 May
- 13 June
- 11 July
- 14 August

All meetings start at 5pm.

## **DECLARING INTERESTS**

### **General duty**

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

### **What is a disclosable pecuniary interest?**

Disclosable pecuniary interests relate to your\* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licences for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

### **Declaring an interest**

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

### **Member's Code of Conduct and public perception**

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

\*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those of the member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

## **HOW OXFORD CITY COUNCILLORS AND MEMBERS OF THE PUBLIC CAN ENGAGE AT THE CITY EXECUTIVE BOARD**

### **Addresses and questions by members of the public, (15 minutes in total)**

Members of the public can submit questions in writing about any item for decision at the meeting. Questions, stating the relevant agenda item, must be received by the Head of Law and Governance by 9.30am two clear working day before the meeting (eg for a Tuesday meeting, the deadline would be 9.30am on the Friday before). Questions can be submitted either by letter or by email ([executiveboard@oxford.gov.uk](mailto:executiveboard@oxford.gov.uk)).

Answers to the questions will be provided in writing at the meeting; supplementary questions will not be allowed. If it is not possible to provide an answer at the meeting it will be included in the minutes that are published on the Council's website within 2 working days of the meeting.

The Chair has discretion in exceptional circumstances to agree that a submitted question or related statement (dealing with matters that appear on the agenda) can be asked verbally at the meeting. In these cases, the question and/or address is limited to 3 minutes, and will be answered verbally by the Chair or another Board member or an officer of the Council. The text of any proposed address must be submitted within the same timescale as questions.

For this agenda item the Chair's decision is final.

### **Councillors speaking at meetings**

Oxford City councillors may, when the chair agrees, address the Board on an item for decision on the agenda (other than on the minutes). The member seeking to make an address must notify the Head of Law and Governance by 9.30am at least one clear working day before the meeting, stating the relevant agenda items. An address may last for no more than three minutes. If an address is made, the Board member who has political responsibility for the item for decision may respond or the Board will have regard to the points raised in reaching its decision.

### **Councillors speaking on Neighbourhood issues (10 minutes in total)**

Any City Councillor can raise local issues on behalf of communities directly with the Board. The member seeking to make an address must notify the Head of Law and Governance by 9.30am at least one clear working day before the meeting, giving outline details of the issue. Priority will be given to those members who have not already addressed the Board within the year and in the order received. Issues can only be raised once unless otherwise agreed by the Board. The Board's responsibility will be to hear the issue and respond at the meeting, if possible, or arrange a written response within 10 working days.

### **Items raised by Board members**

Such items must be submitted within the same timescale as questions and will be for discussion only and not for a Board decision. Any item which requires a decision of the Board will be the subject of a report to a future meeting of the Board

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**To:** City Executive Board  
**Date:** 22 May 2018  
**Report of:** Head of Financial Services  
 Head of Community Services  
**Title of Report:** Loan Guarantee re Oxford Harlequins Rugby Football Club

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To consider a loan guarantee to Rugby Football Union in respect of a £100k loan to Oxford Harlequins Rugby Football Club
<b>Key decision:</b>	No
<b>Executive Board Member:</b>	Councillor Ed Turner, Finance and Corporate Assets Councillor Linda Smith, Leisure Parks and Sport
<b>Corporate Priority:</b>	Strong and Active Communities
<b>Policy Framework:</b>	Council's Corporate plan
<b>Recommendations: That the City Executive Board resolves :</b>	
<p>1. To make a recommendation to Council to provide a loan guarantee to the Rugby Football Union in respect of a loan of up to £100k to Oxford Harlequins Rugby Football Club for funding improvements to changing room facilities at Horspath Athletic Grounds, on terms agreed in advance by both the Council's Head of Financial Services and the Executive Director for Sustainable City.</p>	

<b>Appendices</b>	
Appendix 1	Risk Matrix

## **1.0 Background**

- 1.1 In August 2017 Oxford City Council was approached by the Rugby Football Union (“RFU”) and Oxford Harlequins Rugby Club (“the Rugby Club”) with a proposal to invest in a brand new artificial pitch at Horspath Road as part of a wider scheme to secure a long term home base for the Rugby Club. This proposal represents a significant investment of around £1.6m from the RFU to develop the artificial pitch.
- 1.2 The wider proposal was part of a joint venture between the Rugby Club and Oxford City Athletics Club (“the Athletics Club”) to take on the management and operation of the entire Horspath Sports Ground including investment from both the Rugby Club and the Athletics Club to redevelop the existing facilities.
- 1.3 The existing buildings at the site include the current clubhouse which is leased by the Council to the Rugby Club and the main building which currently comprises changing rooms, toilets, storage and a meeting room/kitchen. The proposal from the Rugby Club addresses the changing rooms in the main building with the remainder of the building being part of a separate project with the Athletics Club.
- 1.4 The current building has a backlog of required maintenance in excess of £200,000 and is currently managed by Oxford City Council’s parks team.
- 1.5 The proposal for the artificial pitch and the redevelopment of the changing rooms go hand in hand as the club will need to be based from the site to manage the artificial pitch effectively and further develop the club in a sustainable way.
- 1.6 A 30 year lease from the Council to the Rugby Club has been completed, together with a licence for alterations covering the proposed works the specification of which has been agreed. The agreement also includes the Rugby Club bringing the premises up to the required Energy Performance Certificate (EPC) standard to meet the Council’s statutory requirements together with provision for ongoing monitoring of the works.
- 1.7 Planning consent for the All Weather Pitch has been granted by South Oxfordshire District Council and a release of a restrictive covenant (preventing development) by Oxford Preservation Trust has been completed to allow the construction of the all weather pitch to proceed. The RFU has entered an Agreement for Lease with the Rugby Club and are planning to start on site in May/June 2018 with completion by the beginning of September 2018.

## **2.0 The proposal for the works**

- 2.1 The Rugby Club have identified that the works to refurbish the changing rooms to conform to Sport England and RFU standards will cost around £120,000. The Rugby Club have sourced local builders to undertake the works to the appropriate standard. The facility will therefore be improved at no cost to the Council although rights enjoyed by the Rugby Club as tenant and RFU as sub-tenant mean that the tenants have a right a new their leases at the end of the 30 year term under the Landlord and Tenant Act 1954.
- 2.2 The Rugby Club has already secured £10,000 external funding towards the project. In addition the Rugby Club have made a first stage application to the RFU for an interest free loan of £100k repayable over 15 years which has been provisionally agreed. The RFU require the loan to be guaranteed although this has proven difficult for the Rugby Club to confirm especially given the planned



imminent start on site which is needed to tie into the start of the 2018 playing season. The Rugby Club have therefore approached the Council to ascertain whether the Council can provide the guarantee.

- 2.3 Latest indications suggest that it would be reasonable to expect that the Rugby Club may be able to raise at least half of the guarantee from amongst its members.

### **3.0 Evaluation of the Request**

- 3.1 Although the details of the request are currently not fully understood the principle can nonetheless be evaluated and summarised below:

#### **Pros**

- The Council's asset would be improved at no cost to the Council and should be at least equivalent to the value of the works/loan.
- The works undertaken will reduce the potential backlog in maintenance liability
- The proposal would give responsibility for better facilities at the site to the Clubs and ensure the long term sustainability of the Rugby Club and enable them to further develop their sports and associated community works
- The Rugby Club would draw down the loan on the basis of invoices provided to the RFU up to the maximum of £100k.
- The remaining Council owned pavilion currently in poor condition would be improved

#### **Cons**

- Risk of non payment of the loan by the Rugby Club and hence a call on the Council as guarantor. This would have the same effect as if the Council had given a loan in the first place. Given the financial standing of the Rugby Club it is possible that the guarantee would be unsecured although the Council will seek whatever indemnity can be reasonably obtained.
- As guarantor the Council is relatively powerless to do anything even if something is observed to be going wrong. However the conditions of granting the licence for alterations provide for the Council as landlord to monitor the works
- The Rugby Club wish to start on site by May/June 2018 and Council will be asked to approve any recommendation from the CEB which could delay the Rugby Club from securing the loan.
- The Council would need to be satisfied that the loan is being applied properly and would therefore have a mechanism for monitoring that payment was being made on time to the RFU. It is suggested that the Council require that the guarantee is reduced annually by the amount of loan repaid i.e. £6,600 per annum.
- It is unclear where the balance of £10k is to be found for the project and although there is no contingency in the Rugby Club's budgeted costs of £120k it is understood that the Rugby Club could provide for a limited

amount of unforeseen works from its own resources or alternatively make savings during the project.

- This provision of a guarantee may encourage more organisations to request Council guarantees, which would be costly to process and if agreed would have an impact on the Council's risk profile. However, the fact that the Council remains the owner of this site distinguishes this application from those of many other organisations that might make such requests.

3.2 The overall project will support the Council priorities, in particular developing Strong and Active Communities through the development plans of the Rugby Club as well as an Effective and Efficient Council by reducing maintenance obligation costs to the Council whilst maintaining the delivery of services on the site.

#### **4.0 Financial Implications**

4.1 Financial due diligence has been undertaken by Council officers on the financial statements provided by the Club and this indicates at least on paper the ability of the Club to repay £6,600 per annum to the RFU and

- a satisfactory level of gross and net profit both current and in future years.
- An adequate level of reserves

4.2 Subject to the details of the loan guarantee from the RFU the Council could in principle agree the loan guarantee. The Rugby Club also continues to canvass members of the Club to act as guarantor and should this be secured then the £100k guarantee requested from the Council may be reduced.

4.3 In order to cushion any adverse impact to the General Fund Revenue Account in the event of default by the Rugby Club and the invoking of the guarantee the Council should ensure that it has adequate cover in a specific earmarked reserve. The Council does have an earmarked reserve already which could serve this purpose.

#### **5.0 Legal Implications**

5.1 The Council is legally able to act as a guarantor of a third party loan (under the Localism Act, and other enabling legislation), although to do so the Council will clearly need to comply with its own internal authorisation process. The Council will be asked to enter into a formal guarantor agreement with the Rugby Football Union, and it would then clearly be prudent for the Council to enter into an indemnity agreement with the Rugby Club. The matter of security to protect the Council's position under this indemnity will need to be considered.

In addition the Council should consider whether the provision of the guarantee to the Rugby Club could amount to unlawful state aid.

Article 107(1) of the Treaty on the Functioning of the European Union provides that:

"Save as otherwise provided in this Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market"

There is a possibility that such a guarantee would be considered state aid, if it was considered that the Rugby Club was an undertaking and there was a market to distort.

"Undertakings", for these purposes, are entities engaged in economic activity, which essentially means that they operate in a market where there either is, or could practically be, competition. From the information supplied in respect of the Rugby Club it is not considered that they would constitute an undertaking in state aid terms as they are not engaged in economic activity in a market where there is competition.

In regard to this matter, therefore, the Council can be confident that the proposed loan guarantee in favour of the Rugby Club should not constitute unlawful State Aid.

## 6.0 Risk

6.1 The risks of agreeing to this loan extension are detailed in Appendix 1

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**Background Papers:** None

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**Risk Register**

Appendix 1 of 1

**Loan Guarantee to Oxford Harlequins RFC**

Risk ID	Risk						Gross Risk		Current Risk		Residual Risk		Risk Mitigation
	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence	Date raised	I	P	I	P	I	P	
1	Club fails to repay	T	Club fails to make repayments of the loan to the Rugby Football Union	Club gets into financial difficulties	Councils guarantee is invoked and the Councils loses money	13-Apr-18	2	4	2	2	2	2	Club will only draw down loan based on work done. Works will be monitored by property services. Earmarked reserve to protect the revenue account. Guarantee is reduced as loan is repaid
2	Cost Overruns	T	Cost overruns on project which cant be met by club	Project not adequately costed, project costs not monitored,	Financial difficulties for the club possibly leading to default on payment and invoking of guarantees	13-Apr-18	2	4	2	2	2	2	Costings have been prepared by external QS. Periodic monitoring by property services, project re-engineering to bring back under budget
3	External funding not secured	T	Club fails to find external funding for balance of cost of project	No funders found	Project cost cant be funded	13-Apr-18	2	3	2	2	2	2	Reduce project scope

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