

Y Cabinet

29 Gorffennaf 2024

CYTUNDEBAU PARC Y SCARLETS

Diben: Ystyried cais gan Scarlets Regional Ltd i ymestyn ac ailstrwythuro'r benthyciad sy'n weddill.

Yr argymhellion / penderfyniadau allweddol sydd eu hangen:

Ystyried cais Scarlets Regional Ltd i ailstrwythuro'r benthyciad presennol sy'n weddill.

Cymeradwyo i ailstrwythuro'r benthyciad ar y sail ganlynol

- Mae cyfnod y benthyciad yn cael ei ymestyn am 15 mlynedd o 1 Ebrill 2023, ar sail ad-daliad, gan ohirio taliadau am 3 blynedd. Y gwerth yw £2.616m.
- Bydd ad-daliad y Prif Fenthyciad yn dechrau ar 1 Ebrill 2026 ar sail rhandaliadau cyfartal, gyda'r gwerth yn £218,000 y flwyddyn.
- Mae'r llog yn parhau i fod yn daladwy ac mae'n cael ei godi ar gyfradd o 2.2% yn uwch na chyfradd sylfaenol banc.
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Y rhesymau:

Ar hyn o bryd mae gan Gyngor Sir Caerfyrddin fenthyciad heb gael ei dalu gan Scarlets Regional Ltd, sydd bellach yn ddyledus ac oherwydd sefyllfa masnachu'r Scarlets mae angen ailstrwythuro.

Angen i'r Cabinet wneud penderfyniad
Angen i'r Cyngor wneud penderfyniad

OES
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YR AELOD CABINET SY'N GYFRIFOL AM Y PORTFFOLIO:-

Y Cyngorydd Alun Lenny, Adnoddau

Y Cyngorydd Hazel Evans - Adfywio, Hamdden, Diwylliant a Thwristiaeth

Y Gyfarwyddiaeth:

Gwasanaethau Corfforaethol

Enw:

Chris Moore

Awdur yr Adroddiad: Chris
Moore

Swyddi:

Cyfarwyddwr y
Gwasanaethau
Corfforaethol

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PARC Y SCARLETS AGREEMENTS

SUMMARY OF PURPOSE OF REPORT.

To consider a request from Scarlets Regional Ltd to extend and restructure the outstanding loan.

BACKGROUND

Following County Council approval in November 2007, a Development Agreement between the Council and the Scarlets Regional Ltd was entered into which culminated in the opening of the stadium and surrounding sports facilities at Parc y Scarlets in November 2008.

Ownership of the freehold of the property resides with the County Council and the facilities are occupied and managed under a leasehold agreement by the Club.

The County Council provided the Club with a loan of £2.4m at a commercial interest rate of 7% with interest to be paid monthly with the loan scheduled to be repaid in 2023.

The Club was required to pay an annual sum to the County Council towards a sinking fund, the fund to be used at the Council's discretion on the facilities in the future. The value of this fund was capped at £0.5m.

The agreements provided for rental to be paid by the club when income generated from rugby related use of the facility exceeded certain thresholds as follows:

- Income between £2.2m and £2.8m – rental paid at a rate of 10%
- Income in excess of £2.8m - rental paid at a rate of 20%

In 2010, following their move to the new stadium the Club continued to struggle financially, due in part to additional costs incurred in facilitating the move, the timing of the move coinciding with the economic downturn, and disappointing results on field results. To address the situation and to put the Club on the right financial footing County Council agreed the following:

For a maximum three year period commencing on 1st April 2010, interest due on the Council loan, equivalent to 3% p.a. would be rolled up and become payable on the termination of the loan. This would have the effect of increasing the sum due to be paid by the club in 2023 from £2.4m to £2.616m which equates to the level of loan previously approved by County Council in November 2007.

It was also agreed that contributions to the sinking fund be deferred for 3 years.

Then in 2013 the Club indicated that they continued to face challenging financial pressures. They also drew attention to the fact that while 7% was a commercial rate of interest back in 2008, since the economic downturn interest rates have reduced significantly. They therefore requested a review of the terms of the original agreement.

In relation to the sinking fund, the fund was specifically to provide funding for the replacement of the athletics track, replacement of the artificial surface in the training barn as well as general repair and maintenance of the whole facility. In 2010, the Council was satisfied that the club was meeting its obligations under the lease and this allowed for a deferment in the required payments. In response to the Club's request the County Council concluded that the current timetable could be maintained but with a revised payment profile as follows:

- 2013 – 2015 £10k p.a
- 2016 - 2022 £15k p.a
- 2023 onwards £25k p.a

It was also agreed to convert the loan from a fixed to a variable rate linked to the bank base rate. The loan was set at base rate plus a premium of 3.5%. As interest rates were at historically low levels it also appeared likely that interest payments will increase in future thus increasing investment income to the Authority. Interest to be capped at 10%. Interest would be charged on the principal sum of £2.616m from an effective date of April 2013. The Club was invoiced monthly for the interest element of the loan.

CURRENT POSITION

The loan was due to mature on 31 March 2023, however Scarlets indicated that they were unable to pay the loan back at that point in time in one lump sum. Officers have therefore been working with the Club to identify a suitable way forward, to enable the repayment of the loan and ensure the sustainability of the Club.

Pre Covid, the Club had a strategy of growing the commercial income and investing in rugby performance and that according to the figures presented by the Club demonstrated a potential positive trading position, which was helped by the reduction in debt levels that they were able to achieve with their other investors.

However, the impact on the business during Covid was significant, both in terms of costs, which included high inflation and significant loss in income. As we are aware all sport was suspended, non-rugby business reduced to zero and Parc y Scarlets was converted to a field hospital. The club had to secure significant additional loans to survive and these also then needed to be serviced.

Post covid the professional game has seen a significant fall in income from competitions and central funding and this has put the regional clubs in a very difficult position. Regions are generally now carry high levels of debts and are needing to re-structure to ensure financial sustainability longer term.

The Scarlets Club are now midway through a restructuring of cost and have implemented a salary cap to reduce player costs, they are also seeking a 2 year capital payment deferment from the Bank and Welsh Government loans. As part of this recovery plan they have also asked the County Council to restructure the outstanding loan, with a deferment of repayments for 3 years and they are seeking a re-consideration of the interest rate to a more manageable

level. The Club and its activity has significant economic impact to the County area and therefore its' sustainability is essential. Local Economic Impact that has been identified include:

- Stadium is a catalyst for considerable level of economic & social activity.
- Reflects strong regional identity / home to iconic international rugby brand.
- Sport events generate sporadic economic activity for local economy – range 3k-10k attending games, many fans travelling to area.
- Direct employment of 161 FTE plus 246 casual match / events staff. Purchasing from 87 suppliers, many from local area.
- Significant community activity operated from stadium covering West Wales – school visits, rugby camps, fit and fed for underprivileged, disability inclusion, sporting memories groups etc.
- Stadium operating model provides a sustained level of activity from conferences, functions & entertainment events.

It is therefore recommended that County Council :

Consider Scarlets Regional Ltd request to restructure the current outstanding loan.

Approves a restructure of the loan on the following basis

- The term of the loan be extended for 15 years from 1 April 2023, on a repayment basis, with a 3 year deferral of payments. The value being £2.616m.
- Repayment of the Loan Principal commences on the 1 April 2026 on an equal instalments basis, with the value being £218,000 per annum.
- Interest continues to be chargeable and is charged at a rate of 2.2% above bank base rate.

DETAILED REPORT ATTACHED?	No
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IMPLICATIONS

ALL IMPLICATIONS REQUIRE SIGN OFF BY THE DIRECTOR OR HEAD OF SERVICE

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: **C Moore**

Director of Corporate Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets	Bio-diversity & Climate Change
NONE	YES	YES	NONE	YES	NONE	NONE	NONE

1. Legal

In concluding the Development Agreement for the Parc Y Scarlets various legal agreements were entered into between the County Council and the Rugby Club. This included the loan agreement which has now matured and requires restructuring.

Finance

Currently the loan outstanding is £2.616m – The proposal is to restructure the loan with repayments becoming due from 1st April 2026 for a 12 year period. Interest will be chargeable at a rate of 2.2% above the Bank Base rate.

The Scarlets are restructuring their cost base with the anticipation of them becoming more sustainable longer term and has structured their proposed repayment plan on the basis of their current financial pressures.

3 Risk Management Issues

The Club is currently in a difficult financial position due to Covid and there is a significant risk that unless the support can be given now, the club may not be able to repay the debt outstanding.

4. Physical Assets

The County Council own the freehold of Parc y Scarlets which is occupied by the club under a long term lease agreement. The proposals within the report would help safeguard the continued use of the facility, which also comes with significant economic benefits to the area.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: **C Moore**

Director of Corporate Services

(Please specify the outcomes of consultations undertaken where they arise against the following headings)

1. Scrutiny Committee request for pre-determination	NO
Scrutiny Committee	
Date the report was considered:-	

2. Local Member(s)

N/A

4. Relevant Partners

N/A

5. Staff Side Representatives and other Organisations

N/A

**CABINET MEMBER PORTFOLIO
HOLDER(S) AWARE/CONSULTED**

YES

Include any observations here

**Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:**

THESE ARE DETAILED BELOW OR THERE ARE NONE (Delete as applicable)

Title of Document	File Ref No.	Locations that the papers are available for public inspection

