



Tuesday, 4 February 2025

Report of Councillor Paul Stokes
Deputy Leader of the Council, Cabinet
Member for Leisure and Culture

Grantham Town Football Club Ltd

Report Author

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Purpose of Report

To update the Committee on the use of the stadium by Grantham Town Football Club and to consider an appropriate financial basis for the future lease arrangement.

Recommendations

The Culture and Leisure Overview and Scrutiny Committee is requested to:

- 1. Note the contents of this report and the current position in the negotiations for a new lease of the Stadium from the Council to Grantham Town Football Club Ltd.**
- 2. Provide a recommendation to Cabinet on the basis of a new lease of the Stadium to Grantham Town Football Club Ltd incorporating the financial implications.**

Decision Information

Does the report contain any exempt or confidential information not for publication?

Appendices 4, 5 and 6 are not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act – financial information

What are the relevant corporate priorities?	Connecting Communities Effective council
Which wards are impacted?	All Grantham Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 Under the Council's current contract arrangement with LeisureSK Ltd the Council provides a management fee payment which represents the difference in the income the company has been able to attract, and the expenditure incurred. Therefore, any deficit in result of Grantham Town Football Club's use of the Stadium is ultimately borne by the Council.
- 1.2 In addition to any financial contribution provided in relation to the operational costs of the Stadium, the Council is also responsible for the cost of repairs and maintenance. A building condition survey undertaken in 2022 identified that over a 30-year period an estimated spend of £2.9 million will be required to keep the facility in good order. The Council is currently prioritising end of life and health and safety items as the amount of spend allocated needs to be balanced with other expenditure required across the whole of the Council's asset base.
- 1.3 A Special Expense Area (SEA) is a separate tax levy similar to a parish or town council precept. The Grantham SEA budget currently provides an annual contribution of £28,000 to offset some of the costs of providing the Stadium. This is directly met by the parish of Grantham and not the general taxpayer. There is the opportunity to increase the amount of the Grantham parish contribution towards meeting the operational cost of any lease should Council consider it appropriate.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.4 Once agreement on the terms and conditions of a new lease is agreed these will need to be documented and legal support commissioned to draw up a formal lease arrangement.

Completed by: Mandy Braithwaite, Legal Executive

2. Background to the Report

- 2.1. Within the Council's Corporate Plan (2024 to 2027) the Council has set the priority of Connecting Communities with an ambition to deliver and facilitate a sustainable leisure and cultural offer, and to celebrate the strong heritage and rich culture of South Kesteven. This must be balanced with the key priority of being an Effective Council which includes an ambition to provide excellent, value for money and financially sustainable services.
- 2.2. The South Kesteven Sports Stadium (the Stadium) forms part of a leisure and sports offering at Grantham Meres Leisure Centre. The Stadium became the home of Grantham Town Football Club (the Club) when it was built in 1991, the Club initially being granted a lease for 20 years for the areas that were exclusively made available to them.
- 2.3. Since this time the Club have retained exclusive use of designated areas within the Stadium facility. These are coloured red on the plan attached at **Appendix One** and edged red on the plan attached at **Appendix Two**. These areas are:
 - Kit room
 - Northgate Suite
 - Freestone Lounge
 - Staff Toilet
 - Bar Store
 - Office off Reception (access is permitted to other users for light switches)
 - Football Club Office (access is permitted for floodlight switches)
 - Kitchen
 - First Floor Gingerbread Suite
- 2.4. In addition to the Club's use of the Stadium they regularly book and pay for training time on the 3G pitch at Grantham Meres. This generates an income stream for LeisureSK Ltd.
- 2.5. The Grantham Town Football Academy (the Academy) is a separate but affiliated company providing a scholarship and educational programme for footballers aged 16 to 19 who undertake full time education alongside developing their football skills. The Academy also hire and pay for the use of the 3G pitch.
- 2.6. In addition to the Club's use of the Stadium, the Grantham Athletics Club have a weekly booking to train and for competitive events. There are also one-off bookings for significant events which include the Inspire+ Mini Olympics and the David Ross Educational Trust Games.

- 2.7. The changing rooms and toilets on the East Stand of the Stadium are also utilised by casual hirers of the 3G pitch. There are currently no separate utility metering arrangements within the Stadium and therefore this makes it difficult to assess the true costs associated with the Club using the areas they have exclusive use of. Using the footprint of these areas compared to the total footprint of the Stadium as a basis, it has previously been calculated that the Club should contribute at least 16.4% of the total cost of utilities.
- 2.8. The most recent lease between the Council and the Club was for a period of ten years and expired on 31 December 2021. Since that time Officers have been providing a letter of security to the Football League to allow the league fixtures to be scheduled.
- 2.9. Under the terms of the previous lease the Club paid a peppercorn rent of £150 per year and were responsible for paying pitch hire fees, and the charges associated with floodlights for their training sessions and matches. The lease provided priority booking rights for the Club on match days which included Saturdays, Tuesdays and Thursdays throughout the football season.
- 2.10. In July 2020 the Club approached the Council and offered to take on the maintenance of the main pitch which was previously maintained at the Council's expense. The Club had expressed dissatisfaction that the pitch was not being maintained to the standard they required for league matches. This arrangement remains in place to date, however the Council made a one-off payment of £11k in September 2022 to help the Club resolve an issue with chafer grubs.
- 2.11. The only other cost currently met by the Club is a payment of £476.66 per month towards the cost of utilities. This equates to an annual cost of £5,720 which does not cover the cost of utilities.
- 2.12. As part of the current arrangements the Club have exclusive use of the Gingerbread Suite which has a bar and hospitality facilities. This provides an income generating opportunity for the Club who operate this area under the trading name of GTFC Catering Ltd.

Stadium Income and Expenditure:

- 2.13. LeisureSK Ltd manage the bookings for the Stadium and are responsible for the operating costs, including utilities, and undertaking minor repairs and maintenance. The Council has responsibility for major repairs costing over £500, capital improvements and end of life items.
- 2.14. The Grantham Special Expense Area budget contributes £28k on an annual basis to offset the running costs of the Stadium.

2.15. **Table One** below demonstrates LeisureSK Ltd's income and expenditure in relation to the Stadium facility for the financial year 2023/24.

Table One – Stadium Income and Expenditure			
	INCOME	EXPENDITURE	DEFICIT
Utilities – Gas		(£22,316.56)	
Utilities – Electric		(£33,960.06)	
Utilities - Water		(£8,645.84)	
GTFC Main Pitch Hire	£6,099.70		
GTA Main Pitch Hire	£920.98		
GTFC Floodlights	£1,835.20		
GTA Floodlights	£211.05		
GTFC Catering (Utility Charge)	£5,720.00		
Other income (Athletics/Events)	£16,182.10		
Stadium Payroll Costs		£8,723.00	
LeisureSK Ltd Central Costs		£19,060.00	
TOTAL	£30,969.03	(£92,705.46)	(£61,736.43)

2.16. As the owner of the Stadium, it is the Council's responsibility to maintain the asset as a community facility. The Council also has a responsibility as the Landlord to keep the areas used by the Club maintained to the expected standard.

2.17. Building Condition surveys have been undertaken on all leisure assets to determine the level of spend required to maintain the facilities to an acceptable standard over a thirty-year period. This has identified a required spend of £2.92 million to cover the whole of the Stadium. However, it should be noted that this includes all repairs and maintenance items which include minor works and redecoration, and the prices quoted are based on estimated costs rather than actuals.

2.18. Due to the level of investment required across all Council assets it has been necessary to prioritise works which are health and safety or end of life. **Table Two** below details the level of investment identified in the survey for the Stadium against the actual level of spend or budgeted spend. To note the spend identified and incurred covers the whole of the Stadium facility rather than those areas used exclusively by the Club.

Table Two – The Stadium Condition Survey Information and Spend							
22/23 Actual Spend (£)	22/23 Condition Survey (£)	23/24 Actual Spend (£)	23/24 Condition Survey (£)	24/25 Budgeted Spend (£)	24/25 Condition Survey (£)	25/26 Condition Survey (£)	26/27 Condition Survey (£)
23,450	153,137	97,462	249,269	89,204	177,028	164,389	113,229

2.19. **Table Three** below demonstrates the total cost to the Council of providing the Stadium facility in financial year 2023/24 taking into account all income and expenditure:

Table Three – Stadium Total Costs 2023/24			
	Costs	Income	Total Impact
LeisureSK Deficit	(£61,736.43)		
Condition Survey Works	(£97,462.00)		
Peppercorn Rent		£150.00	
Grantham SEA contribution		£28,000.00	
Total Cost to the Council	(£159,198.43)	£28,150.00	(£131,048.43)

2.20. In addition, the Council provides wider support as the Street Scene team are responsible for litter picking and emptying litter bins after first team matches. They are also responsible for grass cutting to the banks and weeding within the Stadium.

Lease Negotiations

2.21. Negotiations to agree the terms of a new lease have been ongoing since the expiry of the previous lease, with the Club originally requesting a lease for thirty years at a peppercorn rent. The rationale for the term requested was to enable them to apply for significant levels of grant funding which typically require a lease of at least 25 years to be in place.

2.22. The Club originally also requested that the Council took on the responsibility for maintaining the pitch as they feel it unfair that they bear this cost when other groups and hirers have the benefit of using the facility.

2.23. In addition to the use of the main pitch at the Stadium the Club have requested that an area known as the back pitch, which is included in the footprint of the Stadium, is included in a new lease arrangement. The back pitch area can be seen on the map of the Stadium which is provided at **Appendix Three** and it is envisaged that this area would be maintained by the Club and used for training purposes. This

would then leave LeisureSK Ltd with two junior grass pitches which would remain available to hire.

- 2.24. It is important to note that the Club currently book and pay for the 3G pitch at Grantham Meres for training, thereby generating an income for LeisureSK Ltd. The 3G is also used for Academy training and matches, and therefore granting unrestricted access to the back pitches may negatively impact the current income levels of LeisureSK Ltd.
- 2.25. The negotiations have been long and protracted and have been made more difficult through changes at Board level at the Club. More recently a single route of communication has been established with the Chairman and a nominated Director, and discussions have been more proactive.
- 2.26. Due to the current financial landscape, representatives from the Council have been clear that the taxpayers of South Kesteven are currently supporting the operating costs of the Club. Negotiations have continued in spirit of reducing the operational deficit and ensuring the Club has a workable plan to achieve this.

Valuation of the Stadium

- 2.27. To assess an appropriate market lease payment the Council commissioned Lambert Smith Hampton to undertake a valuation of the areas of the Stadium used exclusively by the Club and the back pitch area. The resulting report is attached at **Exempt Appendix Four**.
- 2.28. The appropriate market rental for the areas identified is £24.5k per annum. It is suggested this charge would be in addition to the Club continuing to pay pitch and floodlight hire fees, and a contribution to the cost of utilities.
- 2.29. The Club have been provided with a copy of the valuation and have confirmed that the lease payment identified is unaffordable. Therefore, negotiations have progressed with a view to introducing staged payments on receipt of a viable business plan from the Club which provides detail on how the Club can grow its income to a sufficient level to cover the lease payments. A copy of the Business Plan provided is attached at **Exempt Appendix Five**.

Current State of Negotiations

- 2.30. **Exempt Appendix Six** provides details on the current state of negotiations including requests made by the Club and some corresponding comments.

3. Key Considerations

- 3.1. Grantham Town Football Club was founded in 1874 and is a well-loved community institution. The Club's Business Plan details how they wish to enhance the activities they provide, and how this would provide increased community benefit.
- 3.2. During negotiations Officers have been clear that any decision to grant a new lease, and the proposed terms and conditions, will be a decision for Members taken in accordance with the Council's governance arrangements. The Club have also confirmed that any proposals will need to be agreed by their Board of Directors.
- 3.3. As detailed in **Exempt Appendix Four** the Stadium facility is afforded some protection under the Council's Local, Plan Policy OS1. This means that development opportunities on the existing Stadium site are limited and can only be considered if certain criteria are met, these include:
 - The new proposal will provide increased or improved open space and/or recreational facilities.
 - The current site is not required to meet the local standard set out within the Local Plan.
 - Equivalent (or better) replacement provision is to be made within the locality.
- 3.4. The Council's Planning Team has confirmed that, given the specialist nature of the site, it is likely that redevelopment of the site for an alternative use would need to be accompanied by equivalent or better replacement provision elsewhere. This would be unlikely to be viable as a replacement site within the locality would be likely to have similar or higher land values.

4. Other Options Considered

- 4.1. The report provides detail on the background of Grantham Town Football Club's use of the Stadium and current state of negotiations to form the basis of a new lease.
- 4.2. The following options have been identified which could be considered as part of continuing negotiations:
 - a) The Council could explore whether there is the option not to grant a further lease to Grantham Town Football Club.
 - b) A new lease could be granted on more commercial terms to include the lease payment identified in the valuation report.
 - c) The new lease could take a phased approach to increasing the lease payment to the level identified in the valuation report.
 - d) Options could be explored to reduce the footprint the Club require in a future lease.

- e) Should a new lease continue on a similar basis to the current arrangements, the option to fund the operating deficit from the Grantham SEA budget could be explored. This would ensure this cost is met by the rate payers of the Grantham area rather than the whole of the district.
- f) If any new leasehold arrangements result in the Council providing financial support, there could be an opportunity to introduce key performance indicators to demonstrate the impact on the local area and community.

5. Reasons for the Recommendations

- 5.1. The Culture and Leisure Overview and Scrutiny Committee has previously requested to receive a report detailing the current and proposed future arrangements in relation to the Club's use of the Stadium.

6. Appendices

- 6.1. **Appendix One** – Map of GTFC exclusive areas ground floor
- 6.2. **Appendix Two** – Map Gingerbread Suite first floor
- 6.3. **Appendix Three** – Map of the Stadium
- 6.4. **Exempt Appendix Four** - Valuation Report by Lambert Smith Hampton
- 6.5. **Exempt Appendix Five** - Grantham Town Football Club Business Plan
- 6.6. **Exempt Appendix Six** – Current Lease Negotiation Position