

## **AGENDA ITEM**

### **FALKIRK COUNCIL**

**Subject: FALKIRK COMMUNITY STADIUM LIMITED –  
SHAREHOLDER UPDATE**  
**Meeting: FALKIRK COUNCIL**  
**Date: 30<sup>TH</sup> APRIL 2008**  
**Author: DIRECTOR OF COMMUNITY SERVICES**

#### **1. Introduction**

- 1.1 This report gives Members a progress report provided by Falkirk Community Stadium Limited (FCSL) with regard to the requests made in June 2007 and advises that FCSL intend to change their preferred developer from Terrace Hill (Falkirk) Limited to Henry Boot Developments Limited.

#### **2. Background**

- 2.1 Members will recall that they considered a report in June 2007 containing shareholder consent to Heads of Terms between FCSL and Terrace Hill (Falkirk) Limited. That report also secured both landlord and shareholder consent to enable FCSL to engage with South Stand Development Company (SSDC), to finalise Heads of Terms and agree a deal to secure the delivery of the south stand.
- 2.2 A number of other issues were highlighted in the report that have not been progressed at this stage until matters are developed further by FCSL and its other partners.

#### **3. Change in Preferred Developer**

- 3.1 FCSL have advised that they have found difficulty in progressing to a development agreement with Terrace Hill (Falkirk) Limited. They have suggested that this is due in part to the changes in the commercial property development market, a review of Terrace Hill (Falkirk) Limited priority projects in their plans and changes in the values being offered. As a consequence FCSL explored interest from other developers and have now agreed to draw the discussions with Terrace Hill (Falkirk) Limited to a close and to pursue a new development agreement with Henry Boot Developments Limited. Henry Boot Developments Limited is known to the Council as its preferred developer in Denny Town Centre and has made good progress in this regard. Henry Boot Developments Limited submitted proposals for the development of the stadium at the time Terrace Hill (Falkirk) Limited were selected. Henry Boot Developments Limited have indicated a strong desire to be involved in the development of the stadium site and the negotiations with them have given FCSL sufficient confidence to recommend them as preferred developer. Given the lack of progress and interest from Terrace Hill (Falkirk) Limited it is

suggested that the Council, as shareholder, agrees to the change in preferred developer to Henry Boot Developments Limited and to monitor progress accordingly. It is suggested that the Council also discuss with Henry Boot Developments Limited the outstanding matter of the Council land adjacent to the Stadium where consideration will be given as to whether Henry Boot Developments Limited might be identified as a preferred developer for this site. This will be subject to Henry Boot Developments Limited being able to make significant progress with FCSL in respect of the land within their lease and demonstration to the Council of best value in the use of its site.

#### **4. South Stand Development Company (SSDC)**

- 4.1 Members will have noticed coverage in the local press advising that SSDC had reached agreement with FCSL to develop the south stand in similar scale to the existing north stand. Dialogue with the Council is now needed to conclude any issues likely to impact on the Council's role as landlord, however it is envisaged that this should be straightforward. It is hoped that construction will be underway during the closed football season subject to securing appropriate statutory consents. Members will want to note that this is proceeding without FCSL contribution which had been contemplated last year.

#### **5. Review of Strategic Options**

- 5.1 FCSL faces significant challenges in establishing itself as a strong and robust business. The company regularly reviews its business plan and makes adjustments to its operating arrangements accordingly. However, it continues to be a business in early development and as such FCSL have advised that it is currently undertaking a more significant strategic review to consider how best to take forward its future growth. The outcome will be reported to Members in due course.

#### **6. Legal Implications**

- 6.1 There are no legal implications arising directly from this report.

#### **7. Financial Update**

- 7.1 The company's audited accounts for the year to 31 May 2007 indicate turnover of £0.740m, up by 42% from the previous year, and a loss of £0.517m. The loss includes depreciation of £0.332m and interest accrued on the loans advanced by the Council of £0.258m. While the interest charge is reflected in the company's accounts it is not being paid to the Council in terms of the Council decision in June 2007 to defer loan repayments until December 2009. The management accounts for the period June 2007 to March 2008 indicate forecast turnover of £0.939m and a loss of £0.567m.

- 7.2 The ability of the company to service the repayments on the loans advanced of £5.095m is inextricably linked with unlocking value from the development sites within the c41 acres leased from the Council. The amount outstanding under these loans will have grown to £5.973m as at the end of June 2008 through the impact of the deferred period. The level of cash available to the company remains a significant issue.

## **8. Conclusions**

- 8.1 FCSL have been frustrated by the lack of progress in concluding a development agreement with Terrace Hill (Falkirk) Limited and have decided to secure a new development partner, Henry Boot Developments Limited, with a strong pedigree of success in mixed use development of this type. Good progress has been made with respect to the development of the south stand by South Stand Development Company.
- 8.2 Finally, like any new business FCSL is continually reviewing its options and will report to shareholders in due course.

## **9. RECOMMENDATIONS**

### **9.1 Members are asked to:**

- a) Agree the changes to the preferred developer from Terrace Hill (Falkirk) Limited to Henry Boot Developments Limited; and
- b) Note the progress made in the development of the south stand;
- c) Note that further proposals on the FCSL business plan will be forthcoming.

.....  
**Director of Community Services**

**Date:** 16<sup>th</sup> April 2008

## **LIST OF BACKGROUND PAPERS**

1. Letter from FCSL to Chief Executive, dated 18<sup>th</sup> April 2008.