

DONCASTER METROPOLITAN BOROUGH COUNCIL

REGENERATION AND ENVIRONMENT
OVERVIEW AND SCRUTINY PANEL

21ST OCTOBER, 2011

An EXTRAORDINARY MEETING of the REGENERATION AND ENVIRONMENT OVERVIEW AND SCRUTINY PANEL was held at the MANSION HOUSE, DONCASTER on FRIDAY, 21ST OCTOBER, 2011 at 2.00 P.M.

PRESENT

Chair – Councillor Jane Kidd
Vice-Chair – Councillor Richard Cooper-Holmes

Councillors Joe Blackham, Ted Kitchen, David Nevett and Yvonne Woodcock.

Also in Attendance:

Councillor Mark Thompson, Cabinet Member for Finance and Corporate Services, Environment, Trading and Support
Councillor Bob Ford (Agenda Item 6 only)
Councillor Andrew Bosmans
Howard Gannaway, Chief Executive, Doncaster Chamber
Colin Harker, Finance Manager (Stadium Management Company)
Julie Nichol, Stadium Manager (Stadium Management Company)
Paul O'Brien, (GMB)
Peter Webster, (Unite)
Simon Wiles, Director, Finance and Corporate Services
Dave Wilkinson, Assistant Director, Trading and Support Services (Agenda Item 6 only)
Michelle MacFarlane, Head of Corporate Finance (Agenda Item 6 only).

APOLOGIES

Apologies for absence were received from Councillor Cynthia Ransome, Cabinet Member for Communities, Street Scene, Environment Protection, Councillor Eric Tatton-Kelly, Cabinet Member for Children and Young People, Rob Vincent, Chief Executive and Councillors Marilyn Green, Deborah Hutchinson, Jill Arkley-Jevons, Barry Johnson, J.P and John Shepherd.

ACTION

24. DECLARATIONS OF PERSONAL OR PREJUDICIAL
INTEREST

Councillor Bob Ford declared a Personal and Prejudicial

interest in Agenda Item 6 (Stadium Management Company Financial Update) by virtue of being a Council representative on the Stadium Management Company. As there was provision on the agenda for members of the public to make representations at the meeting, Councillor Ford was afforded the same opportunity to make representations, give evidence and answer questions, but did not take part in debate and left the meeting during Members deliberations.

25. PUBLIC STATEMENTS

No Public Statements were made at the meeting.

All to note

26. EXCLUSION OF PUBLIC AND PRESS

The Chair, Councillor Jane Kidd, confirmed that whilst the reports on the agenda were public documents, the Appendices to the reports on the agenda contained exempt information under paragraph 3 of Schedule 12A of the Local Government Act, 1972, as amended (information relating to the financial or business affairs of any particular person, including the authority holding that information). Therefore, it would be necessary to exclude the public and press from the meeting during consideration of the exempt information to enable the Panel to deliberate on these matters and discuss the contents of the Appendices in detail.

In accordance with Council Procedure Rule 28.6(b), the Chair stated that those Members who were in attendance at the meeting who were not Members of the Panel, would be afforded the opportunity to remain in the meeting during consideration of the exempt appendices.

All to note

RESOLVED that the public and press be excluded from the deliberation of the exempt information in the Appendices to the reports which in accordance with Section 100A(4) of the Local Government Act 1972, as amended, on the grounds that exempt information as defined in paragraph 3 of Schedule 12A to the Act is likely to be disclosed.

All to note

27. UPDATE ON THE PROVISION OF FINANCIAL SUPPORT TO DONCASTER CHAMBER OF COMMERCE

The Panel received a report which updated Members on progress made by the Doncaster Chamber of Commerce since the provision of the support in November, 2010 for the Council to act as guarantor for up to £150,000 to support their cash flow until April 2012.

Simon Wiles, Director of Finance and Corporate Services, briefly outlined the key issues for Members consideration.

Members noted that in November 2010, the Council approved to act as guarantor to the value of £150k to support the cash flow of managing the transition of the Doncaster Chamber of Commerce, to a new business model. The Chamber was now at an advanced stage of implementing the new business model and management action to date had seen the Chamber forecast a £33.8K profit for the year to March 2012.

It was reported that as some contracts were now in place the business had improved its cash flow position. However, it was highlighted that this would take time to recover. The Chamber was seeking approval for the extension of the guarantee for a further 12 months to March 2013, at a reduced amount of £100k given that the £150k guarantee had not been called upon in the current financial year and the forecast position was improving.

The Chair welcomed Howard Gannaway, Chief Executive, of Doncaster Chamber, who was in attendance at the meeting to answer questions and provide Members with a brief overview of the progress made by the Chamber. Members were informed that the financial position of the Chamber had improved throughout the course of the year. The Chamber was very grateful to the Council for their support which had enabled the Chamber to obtain a bank overdraft. Furthermore, this had also enabled the Chamber to locate to new business premises, as the previous premises had large overheads.

Members were informed that the Chamber was now in a stronger position and did not require the full £150k guarantee. However, it was reported that there were still challenges to be faced with regard to the funding available from the Government to assist new businesses in Doncaster. It was hopeful that further improvements to the Chamber's financial position would be made in the future.

28. EXCLUSION OF PUBLIC AND PRESS

The public and press were excluded from the meeting during consideration of the exempt appendices.

During consideration of the report, the Chief Executive, of Doncaster Chamber answered a range of questions on issues relating to the reduction in the overdraft guarantee, details of contracts to support new businesses, reimbursement of funds from the South Yorkshire Small Business Service, generation

of Chamber income, membership fees, re-location of the Chamber premises and support provided to the business community in times of economic pressures.

The Public and Press were invited back into the meeting.

The Panel was pleased to note the good progress made by the Chamber and were supportive for the Council to continue to support the Chamber by extending the bank guarantee for a further 12 months at the lower amount of £100k.

Following questions from Members, the Chief Executive, of Doncaster Chamber briefly highlighted to the Panel some of the joint working being undertaken with the Council, which had included securing people from the business community to work on the FARRRS project.

On behalf of the Chamber, the Chief Executive, of Doncaster Chamber expressed his gratitude for the valued support provided by the Council and its Finance Team, during the transitional period.

On behalf of the Panel, the Chair thanked the Chief Executive, of Doncaster Chamber for his attendance at the meeting.

RESOLVED that the contents of the report be noted.

29. STADIUM MANAGEMENT COMPANY (SMC) FINANCIAL UPDATE REPORT OCTOBER 2011 (Minutes of the Economy and Enterprise Overview and Scrutiny Panel meetings - Minute No.'s 27 and 28 (10th January, 2011) and Minute No. 36 (14th February, 2011))

Further to the above Minutes, the Panel received a report and presentation from Colin Harker, Finance Manager and Julie Nichol, Stadium Manager, from the Stadium Management Company (SMC), which updated Members on the current financial position of the SMC and the management of the Stadium operation. Dave Wilkinson, Assistant Director of Trading and Support Services, was also in attendance in his capacity as a Board member of the SMC.

The report set out details of the draft SMC's accounts to 31st March, 2011, which had showed a loss of £9k for the year which had taken the total accumulated losses to £1.57m. Members noted that the financial position of the SMC had deteriorated since the £1m guarantee had been re-approved by the Council in March 2011 and since the year end date of the SMC accounts which had led to the approval by the

Council of a further £300k loan facility in June 2011 to support the cash flow situation. Members noted the forecast accumulated losses at 31st March 2012, were estimated to be in the region of £2m.

The Panel was asked to note and provide comments on the contents of the report, prior to Cabinet's consideration of the financial update at its meeting on 26th October 2011.

The Finance Manager of SMC began his presentation by highlighting to Members some of the activities taking place at the Stadium during the next four weeks. He then provided Members with an update on issues relating to the SMC's current financial situation, including details of the original agreement and variation agreement with Doncaster Rovers Football Club (DRFC) and the actions taken by the SMC to reduce the funding shortfall.

Members were informed that the Stadium currently had a bank overdraft guarantee with the Council for £1m. The Council had also provided the Stadium access to a £300k loan to support their cash flow situation. It was further reported that there had been a significant reduction in the revenue from DRFC to the value of £750k per annum. The Finance Manager of SMC explained that from conception of the Stadium, the original agreement with the SMC was that DRFC paid £251k per annum. The SMC had paid for stewarding, ticket office staff, ground staff and match day staff, in addition to pitch maintenance costs and first aid, which the Stadium had to provide.

Members noted that since that time, a variation agreement had been set up with DRFC and the Stadium, which meant that DRFC paid £1,041k a year, but in return, were given the rights to generate income from advertising and car parking. The variation agreement had contained a clause that allowed DRFC to revert back to the original contract, provided that three months notice was given. Subsequently in January 2011, DRFC gave notice to exit this agreement on 30th April 2011 and reverted back to the original rental agreement of £251k per annum, subject to RPI increments.

During the presentation and ensuing debate, Members sought clarification and raised questions in relation to:-

- How much it cost the SMC to provide stewarding, ticket office staff, ground staff and match day staff?
- Who paid the insurance of SMC and service charges?
- Clarification regarding the contract agreement between the Council and SMC and between DRFC and SMC.

- Who signed the contractual agreement between the SMC and the Council?
- Whether the Council had the option to withdraw from the contract with DRFC?
- Who signed the 25 year lease agreement between the SMC and the Council?
- What agreement had been made between DRFC and the SMC regarding car parking?
- Details regarding the catering contract.
- Further clarification on the variation agreement.
- What would happen if the Stadium went bankrupt?
- There were rooms empty at the Stadium, what other contracts had been sought to plug the funding gap?
- What could be done in the short term to improve communication and relations with tenants of the SMC?
- How many staff was employed by the SMC (both actual numbers and full-time and part-time staff in March 2011? What were the equivalent numbers now? How many of those staff had been made redundant? What grades was staff currently on? And were any members of staff in a Trade Union?
- When the SMC realised in May that it would be going to receive less income from its tenants, what steps did it take to reduce costs?
- Why did the SMC choose to go ahead with the Westlife concert?
- What further steps had been taken, since the losses were incurred on the Westlife concert to cut costs?

The Panel expressed serious concerns as to the significant financial losses being made by the SMC, the financial pressures being placed on the Council to fund the shortfall and the future implications for the Council.

Members were extremely concerned to learn that the SMC were paying £780k a year in operation costs to provide stewarding, ticket office staff, ground and match day staff and that DRFC were only contributing £251k per annum to rent out the Stadium facilities.

Councillor Mark Thompson, Cabinet Member for Finance and Corporate Services, Environment, Trading and Support stated that he was incensed and ashamed and so was the Mayor that the Council had ended up in this difficult financial position.

The Finance Manager of the SMC explained that when the SMC realised how much money it was costing the Council, they had set up a variation agreement with DRFC to help recoup the losses. DRFC had bought the advertising rights

and car parking which had helped contribute towards stewarding costs and had enabled money to be generated from these areas. The Finance Manager of SMC further explained that there was a clause in the variation agreement that had allowed DRFC to revert back to the original agreement, giving 3 months notice from 31st January 2011 to be in place from 1st May 2011.

Members of the Panel questioned whether the changes made to the agreement between DRFC and the SMC in January 2011 had not been brought to the attention of Members at the Panel meetings held at the beginning of the year, when they had received a similar report and presentation.

The Panel questioned what actions had been taken by the SMC to address the financial situation. The Finance Manger of SMC informed Members that the SMC Board had met with the DRFC Board and had agreed short term agreements for car parking and advertising. The SMC had asked for its staff to volunteer for redundancies and savings had also been made from the former Chief Executive leaving. The catering contract had also been re-negotiated. In addition, the area previously occupied by 'Playing for Success' had been let, including letting of the lower press room and a cost-cutting exercise had also been undertaken to reduce electricity costs. It was further reported that the SMC had also been looking at ways to cut costs and generate additional income. The Stadium also had different streams of income, including income generated from the health club and other income generators.

The Panel sought clarification regarding the original contract agreement between DRFC and the SMC. The Assistant Director of Trading and Support Services advised that the contract had been drawn up with DRFC 5 years ago when the Stadium had first opened and it had been agreed at that time that DRFC would pay £251k a year for rental of the Stadium. It had later transpired when the Stadium began operating that it would cost the SMC a lot more money to run the football element of the Stadium.

Following further questions from Members as to whether the Council could withdraw from the contract, the Director of Finance and Corporate Services advised that the contract could only be terminated by agreement of both parties. Members were informed that steps were being taken to access and review the contracts. Work was also underway to determine whether there was a mutually agreeable alternative with DRFC and other users. It was reported that other users had also highlighted a number of concerns about the SMC

and the running of the Stadium. Members noted that other opportunities were being explored regarding usage of the Stadium. The Director of Finance and Corporate Services further advised that DRFC had expressed concerns regarding the operation of the Stadium and had indicated that they would like more control.

The Panel voiced strong concerns regarding the financial terms of the original contract, as it was felt that the level of income generated by the SMC had been over estimated and Doncaster taxpayers were paying indirectly to fund the operation of the Stadium. Members held the view that the business model had been flawed from the very beginning and had been the main cause of the SMC's financial problems.

Further to a request from Members, the Director of Finance and Corporate Services undertook to provide Members with details of who had signed the lease agreement.

Director of
Finance and
Corporate
Services

The Panel was extremely concerned regarding the future sustainability of the Stadium and noted that should SMC be made bankrupt, the Council would be contractually bound to fulfil the terms of the contract.

30. SUSPENSION OF COUNCIL PROCEDURE RULE

During the proceedings, the Chair invited a member of the public to address the Panel.

RESOLVED that In accordance with Council Procedure Rule 26.1, Council Procedure Rule 13.7.2 be suspended in order to allow a member of the public to speak.

A member of the public asked the following question:-

'The main costs to the Stadium were policing costs, up to £6-7k a year, has this been considered?

The Finance Manager of the SMC confirmed that the SMC did not pay for policing costs, on Doncaster Rovers match days.

The member of the public also made the following statement:-

'This will mean that Doncaster Rovers will pay £251k over the next 25 years, which was only the 'tip of the iceberg'.

The Director of Finance and Corporate Services stated that with inflation DRFC would be paying £280k per annum and that DRFC had already paid 6 years contributions to the rental

agreement.

Due to the complexities associated with this report, some Members of the Panel had an informal meeting with tenants from the SMC (including, Doncaster Rovers Football Club, Doncaster Belles Ladies Football Club, Doncaster Athletics Club and Doncaster Rugby Club) in advance of this meeting, in order to gain a better understanding of the issues of concern regarding the operation of the SMC, which would assist the Panel in submitting its recommendations to the Executive.

It was reported that at the Panel's informal meeting, the tenants had held the view that communications and relationships with the SMC were poor and that they had little input into decisions made by the SMC. The tenants also felt that the SMC did not show an understanding of how decisions impacted upon tenants, for example, changes to match fixtures at short notice without prior consultation. It was also felt that there was a high pricing structure in place with regards catering at the Stadium which discouraged users. Concerns were also expressed to the costs of future maintenance requirements, in particular, that of the Athletics Club. The Assistant Director of Trading and Support Services and the Finance Manager of SMC provided Members with an explanation as to the reasons why match fixtures had been rescheduled and the high costs for maintaining the athletics track and other associated costs, including building maintenance. The Stadium Manager of SMC further informed Members of some of the measures that SMC had started to put in place, actions to re-engage with the tenants, which had included, holding regular meetings with tenants on a monthly basis to discuss any issues of concern.

Members emphasised the importance of good communications between the SMC and the tenants and the need to improve relationships. The Panel felt that consideration should be given to forming a Stakeholder Committee.

Members also felt that consideration should be given to the formation of a Leisure Trust, which would allow tenants to have partnership status. Failure to do so could result in tenants leaving the Stadium.

31. ADJOURNMENT OF MEETING

In accordance with Council Procedure Rule 16(I), the Panel agreed to adjourn the meeting for (10 minutes), to facilitate a short comfort break.

RESOLVED that in accordance with Council Procedure Rule 16(l), the meeting stand adjourned at 3.55 p.m. to be reconvened on this date at 4.05 p.m.

32. RECONVENING OF MEETING

The meeting reconvened at 4.05 p.m.

33. EXCLUSION OF PUBLIC AND PRESS

At this point of the meeting, the public and press were excluded from the meeting during consideration of the exempt appendices.

During consideration of the report, representatives from the SMC Board answered a range of questions on issues relating to the Westlife Concert, policing costs and staff reductions.

During discussion, the Finance Manager of SMC was asked to provide the Panel with staffing details relating to redundancy.

Finance
Manager of
SMC

The Finance Manager of SMC extended an invitation to Members of the Panel to visit the Keepmoat Stadium to speak to the staff. The Assistant Director of Trading and Support Services undertook to provide the Scrutiny Officer with the times of future SMC Board meetings

Assistant
Director of
Trading and
Support
Services

The public and press were then invited back into the meeting.

Arising from further discussion, Members were informed that an independent review was currently being undertaken to explore the options on the future operation of the Stadium and that the outcome of which would be presented to Cabinet at a future meeting.

Following a lengthy debate, Members expressed the view that there needed to be further dialogue between DRFC and the SMC concerning the options available to generate further income.

On behalf of the Panel, the Chair thanked representatives from the Stadium Management Company Board for their presentation of the report and attendance at the meeting.

In drawing this matter to a conclusion, the Chair and Scrutiny Officer summarised the recommendations arising from the Panel's deliberations, some of which had emanated from the informal meeting with the tenants of the SMC, prior to this

meeting.

RESOLVED

- (1) that the contents of the report be noted;
- (2) to recommend to the Mayor and Executive that:-
 - (i) the Mayor seeks to find the best deal to enable the Keepmoat Stadium to remain open;
 - (ii) consideration be given to the Stadium Management Company forming a Leisure Trust which will allow the tenants of the Stadium to have a partnership status;
 - (iii) as part of a future strategy, the SMC develop a Business Plan and Performance Improvement Plan;
 - (iv) steps be taken to improve communication and a more open style of dialogue is undertaken between the SMC Executive and tenants, in particular, by:-
 - a. reviewing the structure and effectiveness of SMC Board meetings and other meetings, for example, Tenants Group meetings and to consider the formation of a Stakeholder Committee;
 - b. providing full feedback to tenants where possible;
 - c. undertaking further dialogue with all tenants, in particular Doncaster Rovers Football Club, concerning the options that are available to generate further income; and
 - (v) the Keepmoat Stadium organise and hold an 'Open Day' for children and young people across the Borough, to raise awareness of the facilities available and meet with other sports teams, including the Doncaster Rovers Football Club, Doncaster Athletics, Doncaster Belles and Doncaster Rugby Club.

Chair:

Date: