

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1550

Title: Refinancing of Wembley National Stadium Limited

Executive Summary:

The original financing package for the construction of the English National Stadium Project, Wembley to the Football Association Limited (FA)'s special purpose subsidiary, Wembley National Stadium Limited, was put in place in September 2002. The now dissolved London Development Agency (LDA) was one of three Public Sector Funders providing grants, the other two being Sport England and the Department for Culture Media and Sport (DCMS). Private sector borrowing was also undertaken. The GLA has now assumed the role of provider of the grant pursuant to the LDA statutory transfer scheme, such grant having been drawn in full prior to construction completion. The original financing package was developed to fund the construction phase at a time when stadium revenues and cash-flows were less certain, which therefore meant that lenders required extensive controls and restrictions which were appropriate for a project of that size and scale. Given that the stadium has now been operating successfully for 8 years the FA is now seeking to refinance the current financing arrangements with new corporate facilities that would be simpler, less onerous and which would generate an overall lower cost to the FA Group.

Decision:

The Mayor approves the following:

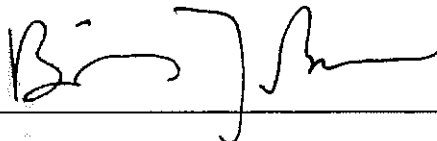
1. The GLA providing such consent as may be required by it in relation to a refinancing of the English National Stadium Project, Wembley as proposed by the Football Association Limited (FA).
2. The GLA entering into a Deed of Amendment between the GLA, the FA, Wembley National Stadium Limited and various public and private sector funders in relation to the amendment of an Intercreditor and Security Trust Deed and the Funding Agreement (to which the London Development Agency was originally a party), along with any other agreements or documentation as may be required to be entered into by the GLA in relation to such refinancing.
3. The Executive Director of Resources (and any senior officer nominated by him for such purposes) agreeing on behalf of the GLA the form of such agreements and documentation to facilitate such refinancing and implementation of the matters referred to in this Mayoral Decision.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

21.9.2015

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The original financing package for the construction of the English National Stadium Project, Wembley (Stadium) provided to the Football Association Limited (FA)'s special purpose subsidiary, Wembley National Stadium Limited (WNSL) was put in place in September 2002. The now dissolved London Development Agency (LDA) provided grant funding of £21 million under a funding agreement with WNSL (Funding Agreement) and was one of three "Public Sector Funders" providing grants, the other two being Sport England which provided £120m and the Department for Culture Media and Sport (DCMS) which provided £20m. The GLA has assumed the role of provider of the LDA grant pursuant to the LDA statutory transfer scheme, the grant having been paid to WNSL in full prior to completion of construction of the Stadium. Private sector borrowing of approximately £426m via a term loan facility secured on the Stadium business and supported by hedging arrangements was also undertaken by WNSL. An Intercreditor and Security Trust Deed governing the terms between WNSL, the FA and the Public Sector Funders and lenders was entered into.
- 1.2 The original financing model was developed to fund the construction phase of the Stadium at a time when Stadium revenues and cash-flows were less certain. Consequently, lenders required extensive controls and restrictions which were appropriate at the time for a project of that size. Construction of the Stadium was completed in 2007.

2. Objectives and expected outcomes

- 2.1 Given that the Stadium has now been operating successfully for 8 years, and the financial market is in a strong position, the FA is now seeking to refinance the current term loan facility and existing hedging arrangements with new corporate facilities that would be simpler, less onerous and which would generate an overall lower cost to the FA Group.
- 2.2 The FA Group's current financing model is implemented via a project finance facility (secured on the Stadium business) borrowed by WNSL and was structured as an amortising term loan maturing in September 2023. The facility is repaid in part each year, and it should be noted that WNSL, underpinned by The FA, has outperformed the banks' expectations repaying more each year than originally expected.
- 2.3 Since 2008, the Stadium has proven to be a mature, operational asset, delivering world-class events throughout the year. The current financing model which locks in large amounts of cash proceeds, does not reflect the needs of the FA Group. Therefore, it is being proposed by the FA that the current term loan facility be replaced with a new financing model as set out in paragraph 2.4 below, which the FA believes would release additional funding to better assist the FA in financing its long-term strategic priorities.
- 2.4 WNSL and the FA intend to refinance the existing WNSL term loan facility and hedging arrangements by:
 - I. entering into new facilities borrowed by the FA directly and guaranteed by WNSL and benefiting from the existing security package in the Stadium business itself, but removing certain cash reservation provisions and other restrictive requirements that reduce cash flowing from WNSL to the FA for reinvestment in the game; and

- II. the FA on-lending certain amounts drawn down under the new facilities to WNSL as subordinated debt to repay the existing senior debt borrowed by WNSL and to terminate and pay termination costs on the existing hedging arrangements entered into by WNSL.

It is currently anticipated that the new facilities will be for an amount of around £300m, made up of a revolving credit facility and a term loan, with final details of the new facilities to be confirmed shortly. The FA may subsequently look to replace part or all of the term loan with other (including capital market) financings in due course.

- 2.5 The proposed changes to the financing arrangements will require amendments and variations to the Intercreditor and Security Trust Deed and the Funding Agreement between the GLA (formerly in the name of the LDA) and WNSL (for which approval is also being sought). The main proposed changes to the agreements which relate specifically to the GLA are summarised as follows:
 - I. References to Public Sector Funder Refunds meaning in relation to the GLA, refunds due under the Funding Agreement should any grant have not been spent on the required purpose have been removed. Whilst technically there is no time limitation set out in the documents for a challenge for misapplication of funds, these are considered historic given the time elapsed since the construction of the Stadium.
 - II. Reference to cancellation of commitments under the Senior Finance Documents or acceleration of the Senior Debt has been deleted, as a trigger for the GLA to be able to require a cash sweep from the distributable cash if it has reclaimed amounts under the Funding Agreement. This is deemed acceptable on the basis that such references may have been included to ensure that funding was available to build the stadium, and are now historic. Similarly, the restrictions on cancelling commitments have been removed.
 - III. The GLA right to drawstop the grant has been removed on the basis that it is historic and the grant has already been paid in full. However, rights of the GLA to require repayment of the grant following an event of default (such as insolvency of WNSL or any material breach of the funding arrangements which isn't remedied) remain in place. Provisions in an Accounts Agreement which relate to the ability of the GLA to block payments from a WNSL distributions account if the GLA claims for a repayment under the Funding Agreement, have also been retained.
- 2.6 It should be noted that it will remain an option for a capital markets financing (as noted in section (2.4) above) to be accommodated as a type of 'qualifying refinancing' which may not require Public Sector Funder consent in certain circumstances should this be implemented by the FA and/or WNSL in the future. In addition it will remain the case that WNSL would be able to undertake additional borrowing up to a set level without Public Sector Funders' further consent.
- 2.7 Although not directly related to this proposal, as per the current agreement, WNSL will retain the possibility of hosting an Anchor Tenant at some stage in the future, which could subsequently increase the revenue streams for the Stadium and provide the FA with further income for investment in its strategic priorities.

3 Equality comments

- 3.1 There are no direct equalities implications arising from this decision. However, as per the Equalities Act 2010, the GLA has a responsibility to give due regard to promoting equality in all its activities, including financial administration and decision-making. The GLA, by agreeing the re-financing arrangements will assist the FA in implementing their proposed new strategic plan, including its investment into grassroots facilities and education.

4 Other considerations

- 4.1 As the GLA is one of three Public Sector Funders of the construction of the Stadium, the FA has been in direct contact with GLA officers to discuss the refinancing proposals and the implications arising from variations required to the Intercreditor and Security Trust Deed and Funding Agreement with the GLA. This includes any indemnity requirements for each Public Sector Funder under the new financing proposal, and the formal sign-off required by each funder. Discussion has taken place in the form of formal meetings and presentations outlining details and consequences of the proposal.

5 Financial comments

- 5.1 There are no direct financial implications to the GLA expected in relation to its agreeing to the refinancing model and the consequent variations to the Intercreditor & Security Trust Deed and the Funding Agreement. This is because the £21m grant to WNSL, originally provided by the LDA has already been paid to WNSL in full with WNSL having met the conditions of the grant to date as per the Funding Agreement. However, the FA is still required to continue to comply with information and reporting obligations as part of the project and under the terms of the Funding Agreement. The GLA's contingent claim against the original grant funding being repaid should an event of default occur remains in place. Whilst changes proposed by the refinancing (including increase in the potential size of the senior facility) do mean that senior lender claims against WNSL which rank higher than the GLA's contingent claim are potentially being increased, such senior lender claims would only come to fruition should the FA as primary lender fail to pay and so this risk is deemed minimal and acceptable.
- 5.2 It should be noted additionally that the Funding Agreement provides provision for certain clawbacks of funds should there be any disposal of the Stadium. Under the terms of the Funding Agreement, WNSL would have to notify the GLA on each and every occasion any clawback on disposals occurs and will liaise with GLA officers as required.

6 Legal comments

- 6.1 The refinancing is to be on the terms outlined in this report. It is proposed that the parties to the refinancing execute a single amendment deed in respect of the relevant original financing documents, including the Intercreditor and Security Deed (which will in itself make certain amendments to the Funding Agreement) and to which the GLA (having assumed the LDA's rights and obligations) is a party.
- 6.2 The main technical amendments relating to the GLA are as described in paragraph 2.5 above.
- 6.3 Under section 191 (2) of the Localism Act 2011, "The Secretary of State may at any time make a scheme (a "transfer scheme") transferring the property, rights and liabilities of the London Development Agency that are specified in the scheme to: (a) the Greater London Authority..." Under clause 4 of the Greater London Authority and the London Development Agency Transfer Scheme 2012, "any property, rights and liabilities of the [LDA] [other than those specifically transferred under another clause] are transferred to the [GLA]" with effect from 31 March 2012. Pursuant to that transfer, the GLA has acquired the LDA's rights and obligations under the grant agreement. The GLA's exercise of functions in respect of the grant agreement is consistent with the GLA's powers under section 30 of the Greater London Authority Act 1999 (GLA Act) to do anything which it considers will further any of its principal purposes of promoting economic development and wealth creation, social development and the improvement of the environment in Greater London.
- 6.4 Section 34 of the GLA Act allows the GLA, acting by the Mayor, to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the GLA exercisable by

the Mayor. In this case, the amendments to the financing agreements referred to above, to which the GLA is a party, may reasonably be seen as being calculated to facilitate the GLA performing its functions as described above.

- 6.5 The Mayor may, under section 38 of the GLA Act, delegate the exercise of the GLA's functions to the Executive Director of Resources as proposed.

7 Investment & Performance Board

- 7.1 This report has not been considered by the Investment & Performance Board as it is not within the Terms of Reference of the Board.

8. Planned delivery approach and next steps

- 8.1 The FA has been negotiating the commercial terms of the new facilities with proposed lenders and has engaged regularly with all three Public Sector Funders to ensure they agree to proceed with the refinancing. The FA's legal team has drafted all of the necessary agreements and documentation for the refinancing. These are expected to be finalised and executed in due course by all relevant parties. The GLA is required to approve its participation in the proposed refinancing via Mayoral Decision.

Activity	Timeline
Refinancing commercial terms to be agreed with lenders	May to mid -September 2015
Engagement with and approval from Public Sector Funders	May to mid -September 2015

Appendices and supporting papers:

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

To fit in with the administrative practicalities around the proposed refinancing.

Until what date: 5th October 2015

Until the date on which the Deed of Amendment in relation to the amendment of the Intercreditor and Security Trust Deed is entered into by The GLA.

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Abdel Reza Nauyeck has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Doug Wilson has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Neale Coleman has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. J. Allen

Date

18.9.15

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

E. J. Smith

Date

21.09.2015