



COUNCIL MEETING
4 November 2009

DOCUMENT 4

Report of the Corporate Directors of
Regeneration and Community, Resources, and
Corporate and Adult Services

WORLD CUP 2018 (or 2022)

SUMMARY

- 1.1 This report summarises the requirements for Derby to qualify as a 'Host City' as part of England's bid for the FIFA World Cup in 2018.

RECOMMENDATION

- 2.1 To agree in principle to the Council signing the Host City Agreement.
- 2.2 To agree in principle to the Council signing the Intellectual Property Rights Agreement contained in the Football Association's 'Invitation To Qualify'.
- 2.3 To complete discussions with the training ground owners to enable them to sign the Training Ground Agreements with the FA and FIFA.
- 2.4 To progress discussions with Derby County Football Club regarding the Stadium Agreement, to enable the Football Club to sign this agreement, and bring back a report to Council on 18 November 2009.

REASONS FOR RECOMMENDATION

- 3.1 Members need to be aware of the basis and conditions of Derby's bid and to give due consideration before approving it, particularly because the Council may need to fund many of the significant activities and investments outlined in the bid.

World Cup Opportunity

- 4.1 The English Football Association - FA - has announced that it intends to bid to be the host country for the FIFA World Cup in 2018 (or 2022) and has invited cities to bid to be hosts should England be successful. This report describes the process that the FA and FIFA will be following, the issues to be considered by Derby City Council and its partners, and seeks approval for the submission of our Host City application bid document, subject to full Council approval on 18 November 2009 before submission.
- 4.2 There are 11 other countries bidding to host the 2018 World Cup, and so it is important that the English bid is as strong as possible. The Government is keen to ensure that the benefits of the World Cup are spread as widely and evenly as possible, but recognises that the geographic distribution of stadia is not necessarily conducive to this.
- 4.3 There could be 16 cities preparing bids, some with more than one stadium. The three East Midlands Cities will each be bidding, with Nottingham promising a new stadium, and Leicester and Derby each promising extended stadia to meet the minimum criteria of a 45,000 seat stadium.
- 4.4 Based on the experience of the World Cup in Germany in 2006, each host city with one stadium will receive an estimated 150m Euros of income into the local economy from the World Cup visitors.

The FA Process

- 4.5 Each Host City has gone through three stages in producing a bid. The final bid has to be with the FA by 26 November 2009, and must be absolutely compliant with the format of the FA Invitation to Qualify (ITQ).
- 4.6 Each bid is expected to describe the stadium, a range of hotels for teams, FIFA, VIPs and other visitors, training grounds, and a range of other elements to make up a total bid on behalf of the city and county.
- 4.7 The FA will then select their potential Host Cities for inclusion in the bid from England to FIFA, later in December 2009.
- 4.8 The FA bid to FIFA will be submitted in May 2010. FIFA will announce their decision on which country has won the bid in December 2010.

Components of the Bid

- 4.9 There are four key components to the bid, each underpinned by a Legal Agreement. These are the Host City Agreement, Stadium Agreement, Training Ground Agreements and Copyright Agreement. It is a requirement of FIFA to the FA that all of the legal agreements must be signed and submitted with the England Bid to FIFA. The FA, in turn, are insisting that these agreements are an integral part of a 'compliant bid' from a host city.

Host City Agreement

- 4.10 This will be a three-way agreement between Derby City Council, the FA and FIFA. It confirms all the elements in our bid other than the works to the stadium itself, and the Council is expected to guarantee that all the items and requirements described in the bid will be costed and funded by the Council and/or its partners.
- 4.11 As presently drafted this Agreement is heavily weighted in favour of FIFA, and places some very onerous operational obligations and potentially significant financial liabilities on the Council. Our concerns cover three main areas; lack of statutory powers, extent of Council's potential financial liability and the ability of FIFA to unilaterally introduce new requirements into the agreement.
- 4.12 As regards the lack of statutory powers the Government is seemingly committed to introducing a World Cup Bill, if the bid is successful, which when enacted will enable host authorities to deliver the elements required in the FIFA bid. A letter of comfort has been received from Government, on this aspect and this is included as Appendix 2 to this report.
- 4.13 The comfort letter also refer to the financial implications of the Host City Agreement which are dealt with in paragraphs 4.29 to 4.35 of this report, and in the financial implications in Appendix 1.

Stadium Agreement

- 4.14 This will be between the stadium owners (Derby County Football Club), the FA and FIFA. It describes all of the requirements for the permanent and temporary extension of the stadium itself.
- 4.15 Like the Host City Agreement, this agreement is heavily weighted in favour of FIFA. Derby County Football Club (DCFC) is also looking to the Council to accept some of its obligations and liabilities and options are currently being explored with the club. This would be the subject of a separate agreement between DCFC and the Council and an update position will be provided for Council on 18 November 2009 in advance of the deadline for submission of the bids by 26 November 2009.

Training Ground Agreements

- 4.16 This is similar to the Stadium Agreement, being signed by the four training ground owners, the FA and FIFA. There will be a financial requirement to bring these training grounds up to FIFA compliant standards, estimated by the FA at a cost of £100k per ground. This is included in our estimates of costs to the Host City.
- 4.17 It is anticipated that the owners of the training grounds will want the Council to underwrite any cost liabilities. In principle this is acceptable. However it is not felt necessary, nor may it be practical, to conclude these before 26 November 2009.

Copyright Agreement

- 4.18 This is between the Council, the FA and FIFA, and allows the FA and FIFA the copyright to the content of our bid, for use in the FA bid to FIFA and use by FIFA in promoting the World Cup if Derby and England are successful.

Derby's Bid

- 4.19 The theme of Derby's bid is 'Inspire - Invest - Involve'. We have pledged to the FA that once a fan arrives in Derby they will not have to use their car, because all of the facilities in our bid can be reached by walking, cycling or public transport. Our bid is also extremely sustainable because of the location of Pride Park in relation to all elements of public and private transport.
- 4.20 The Derby bid has been produced by a range of partners including Derby County Football Club (DCFC), Marketing Derby, University of Derby, Derby Telegraph, Derbyshire County Council, and with funding support from emda. The main elements of our bid are described below. A presentation will be made to Members at the start of your meeting.
- 4.21 **The FA require stadia of 45,000 seats** capacity, to host matches up to the semi final stage when larger stadia will be required, but Derby is not bidding for these. Pride Park Stadium has a current capacity of 33,500. DCFC has produced proposals for a combination of temporary and permanent extensions of the stadium, to meet the 45,000 seat requirement, but leaving the stadium with between 35,000 and 38,000 permanent seats once the World Cup is over. These are described in more detail in paragraph 4.34. The FA has informed us that, if we are successful, we can expect four group matches, possibly a 'round of 16' match, and possibly a quarter final. Officers are working on the assumption that Derby would have five matches in total.
- 4.22 The bid also includes a **strong element of 'legacy'**, which describes the impact that hosting the World Cup would have upon the city. This includes the facilities provided for the World Cup that would remain afterwards, the increased profile of the city externally, and the increased profile of football and other sports internally, together with a health legacy through the encouragement of more people to participate in sport and exercise.
- 4.23 Our bid has to include a **range of hotels** suitable for teams and FIFA/VIPs. The team hotels will be selected by the FA and FIFA, and we would have to provide a minimum of three - one for a team hosted in Derby and two for teams coming to Pride Park stadium for matches.
- 4.24 We are also expected to provide a range of **choice of training grounds**, from which the FA/FIFA will select one per hotel. We are proposing country house hotels outside Derby, such as the Breadsall Priory, for the three main hotels, expecting city hotels to then accommodate fans and other visitors. The training grounds are Moor Farm (DCFC) and the grounds of Burton Albion, Mansfield Town and Chesterfield.

- 4.25 The bid also includes **Fan Fest sites**, proposed for **Darley Park and the Racecourse**. These will be FIFA accredited, totally secured, locations in which matches will be screened live on a large screen, and other forms of entertainment would be provided on non match days and in between matches. Our experience of the Darley Park Concert has provided a good basis for producing proposals and costings for both Fan Fest sites, and a proposed programme of events for both.
- 4.26 **Live sites** are proposed for **Cathedral Green and the Market Place**. These are not FIFA accredited, but would be established and managed by the Council and its partners. They will have screens showing live matches, but a much smaller entertainment programme than that at the Fan Fest sites.
- 4.27 The Council is also expected to provide '**City Dressing**', being all of the banners, advertising promotion for the World Cup, around the city, to give the city a 'World Cup Carnival' feel.
- 4.28 The Council and partners are also expected to provide various types of infrastructure and in particular a **Transportation Plan**, including free public transport on match days.

Costs

- 4.29 The costs of the bid have been estimated by officers, including discussions with DCFC regarding the cost of extending the stadium. Many of these costs are based on financial models provided by the FA and FIFA, which in turn are based on the experience of previous World Cups.
- 4.30 The costs can be divided into two categories:
- Host City costs and
 - Stadium Extension costs.

The estimated Host City costs of almost £15m is made up of the estimated cost of 'Fan Fest' sites at £2.9m, Live Sites at £600k and other Host City costs at £11m. These costs will need to be borne from the Council's respective revenue budgets as they are incurred.

- 4.31 Based on Germany World Cup experience in 2006, the expected income to the local economy in Derby from these activities should be in the region of £100m and the Council could expect to recoup a good part of its £15m host city costs through commercial activities such as franchising of food, drink and other outlets at Fan Fest and Live Sites, possibly charging admission to Fan Fest sites, sponsorship and advertising around the city before and during the World Cup, and other sponsorship and promotional events.
- 4.32 The Council and DCFC are considering two options for the extension of the stadium. A wholly temporary extension that could take the capacity up to the required 45,000, and be removed after the World Cup, with the stadium reverting to 33,500 capacity. This would cost approximately £19m, and there would be no sustainable return on investment or benefit after the World Cup.

- 4.33 Alternatively, a combination of temporary and permanent extensions could take the capacity up to 45,000, but reverting to about 38,000 after the World Cup. This would cost approximately £26m, but is the preferred option of officers because, although it is more expensive, it does leave the stadium with additional capacity for ticket sales on match days, and use of the additional space in the East Stand for revenue generating activities by the Club and other users. The estimated cost of the permanent extension is £17m and the estimated cost of the temporary extension is £9m.

Income

- 4.34 Officers have also started to estimate income to the city and to the Council, but these calculations are still at a very early stage. Early calculations on the cost of the Host City element show that the Council and/or the local economy should be able to more than recoup the £15m revenue cost investment. Officers will need to have detailed discussions with partners in the sub region, including neighbouring local authorities, with the FA itself, and with Government, regarding potential funding contributions to the World Cup programme. This could also include the feasibility of seeking the support of all business rate payers in the city through the levy of a supplementary business rate for the period between Host City selection and the start of the World Cup. A two pence supplementary business rate levy, which is the maximum, would raise over £2.5m of income in each year it was levied.
- 4.35 The Council and DCFC are in discussion regarding potential investment by the Council in the £17m permanent extension element of the stadium. This could be justified if the Council is able to make use of the permanent extension facilities after the World Cup. For example, if part of the extension could be used for community facilities or sporting facilities that fit with the Council's existing programmes, and our emerging leisure strategy. The Council would expect the seating element of the permanent extension to be leased to the club on commercial terms at market rates which would generate an income stream for the Council. The Council could use prudential borrowing to fund the £17m permanent extension at an estimated annual revenue budget cost of £1m. The temporary stadium extension would have to be funded from 'one off' revenue budgets.

Benefits to Derby

- 4.36 The key benefit to the city will be financial and economic. The FA hopes that England will exceed the income derived by Germany in 2006, and in particular hopes that the number of visitors who stay overnight in English cities can be doubled, as these are regarded as the most likely source of income into the local economy.
- 4.37 There will also be a huge promotional value to hosting the World Cup, in that we can use this in promoting the city from the date of announcement through to the World Cup itself in 2018 (or 2022). This would give the city additional credibility in promoting to investors and visitors.

- 4.38 The World Cup should also have a social legacy, in that the hosting of people from countries around the world should help us to improve community participation and community cohesion. One specific part of Derby's bid will be the offer to host the 'FIFA Football for Hope Forum' and 'Football for Hope Festival'. The Forum is a practitioner and researcher event, looking at the ways in which the lessons learned from previous World Cups can be applied to social and community issues. The 'Football for Hope Festival' takes place for one week during the World Cup, involving 32 teams of boys and girls, aged 15 to 18, from across the world, competing in a facility in a deprived area - our proposal would be for the use of the Racecourse and the facilities at the Cricket Club, engaging with the Derwent (New Deal) Community.
- 4.39 There will be a health legacy to the World Cup, in that hosting it should enable us to encourage people to engage in sport and other healthy activities.

OTHER OPTIONS CONSIDERED

- 5.1 None.

For more information contact: Name: Richard Williams 01332 255974 e-mail richard.williams@derby.gov.uk
Background papers: None
List of appendices: Appendix 1 – Implications
Appendix 2 – Letter from Government (DCMS)

IMPLICATIONS

Financial

- 1.1 As outlined in the report, there are a number of significant financial implications in the FA/FIFA Agreements, particularly in the Host City Agreement. Officers will continue to evaluate all these implications in order to provide Council with the most up to date position on 18 November 2009.

Legal

- 2.1 14 of the 16 potential applicant Host Cities have jointly instructed solicitors to give detailed advice on the status of the various legal agreements, and the commitment that they represent.
- 2.2 The legal agreements have been produced by FIFA for all bidding nations alike, and are enforceable under Swiss law, because FIFA is a registered Swiss body. The implications of this are also being considered by our solicitors, and again will be reported to Council on 18 November.

Personnel

- 3.1 There are no personnel implications arising directly from this report.

Equalities Impact

- 4.1 There are no equalities implications arising directly from this report, although the hosting of the World Cup will include activities that should have an equalities element and equalities benefit.

Corporate objectives and priorities for change

- 5.1 If Derby is selected to be a host city for the 2018 World Cup, there will be a huge opportunity to contribute to all the Council's current corporate priorities.

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Your Ref
Our Ref

23 October 2009



department for
culture, media
and sport

2018 World Cup Guarantees

Dear Chief Executive,

Following the very constructive meeting of the bidding cities held at the LGA office on 15 October, I am writing, as promised, to address some of the concerns raised by the bidding cities, particularly in regards to signing off the Host City Agreements. I appreciate timescales are now pressing for all of us, but also realise your commitment is fundamental to England's bid, and so would like to offer you some reassurances which I hope will give you the necessary comfort to enable you to submit your bids by 26th November, 2009, with the required documents signed.

Central Government is being asked to sign a series of eight guarantees by FIFA. These will be signed by the Secretary of State for the relevant Department. Officials across Whitehall, co-ordinated by DCMS, are dealing with the issues that arise from these guarantees, the broad headings of which are: Visas; Work Permits; Tax Treatment; Safety & Security; Foreign Exchange Operations; Commercial & Intellectual Property Rights; Telecommunications & IT; and Legal Issues & Indemnity.

One of the guarantees that Government is asked to sign requires that we confirm the validity and enforceability of all of the government guarantees, and that we will pass any laws and regulations necessary for the organisation and staging of the tournament, including those that are needed so as to meet the full requirements of the government guarantees. Our officials, working with England 2018, have looked at what is being asked of Central Government and established that there are several gaps in existing legislation that will need to be filled in order for us to satisfy the above requirements and deliver the government guarantees. We understand from the meeting that some of you were concerned that you could not sign the Host City Agreement under the current legal framework. However, I would like to assure you that, in accordance with the terms



improving
the quality
of life for all

of the government guarantees, we will legislate, should England be successful in its bid, to ensure that the appropriate legislative framework is in place to allow the Host Cities to perform their generic obligations under the Host City Agreements.

In light of this, if there is any particular aspect of the Host City Agreement which raises concerns, please let us know and we will endeavour to offer the reassurances to enable you to sign the agreement. Our key focus should be on the generic show-stoppers that would prevent cities from signing the Host City Agreements. However, if there are issues on a localised level which might require legislative change, we would also consider these.

Further, I know that the Host City Agreement requires Cities to play their part in the provision of safety and security measures, facilities and resources in connection with matches held in their City. However, I would like to confirm that Central Government is required by FIFA to sign a guarantee, under the terms of which we will be taking the full burden of providing security in respect of the tournament. Officials at the Home office are working with the bid team on drawing up a concept of how this will work in practice, drawing on experience of hosting other major tournaments. However, we would like to assure you that Government will meet the costs of tournament security, other than the costs of security inside the stadium which would normally be covered by the stadium owners.

At the meeting, the issue of costs was raised. I would like to reiterate that the cost to central government of the government guarantees will be considerable. The Treasury have made clear that the costs of the tournament will lie where they fall and we will not be in a position to provide funding to any of the cities in the event of a successful bid. We will, as discussed, look at the potential for lottery funding or supplementary local business rates, as well as exploring other options. However, at this early stage we are unable to give any commitments of additional funding.

I have seen the letter dated 21 October from Grant Walker of Portsmouth County Council, which covers the concerns of all Cities, with the exception of London, Manchester and Nottingham (who will contact separately). We have noted these concerns and will respond in due course on these specific issues.

If you have any further issues please could you communicate them through Andy Crump (andrew.crump@culture.gsi.gov.uk) and Matt Hull (matthew.hull@culture.gsi.gov.uk) by Friday, 30 October. We will look at the issues and endeavour to formulate a response and write to you again by Friday 6 November. If time allows and if required, we would also be happy to reconvene to discuss these issues further.

I hope this offers some of the reassurances you need.



Jonathan Hughes
Deputy Director of Sport Sector Team