



Notes to the Heads of Terms:

Summary

Enclosed with this explanatory note is a copy of the email sending the draft heads of terms to the Lions Committee, together with a copy of the proposed heads of terms.

The SRFC Committee has been engaging with the Lions for around 16 months seeking proposals for either reintegration into the club or continuing as an autonomous club and maintaining their level 7 status for the 2022/2023 season. To date, it is the view of the SRFC Committee that reintegrating as a Level 7 playing squad is not sustainable or in the interest of SRFC. Please refer to the Proposal made by SRFC detailing its proposal to the Lions.

In late February/March 2022, SRFC understands, the Lions voted and confirmed their intention to remain autonomous as Stourbridge Lions if they were unable to reintegrate as a Level 7 league squad. The RFU subsequently changed their view on intraclub player utilisation between Level 3 and Level 7. It is the view of the SRFC Committee that this does not protect player welfare and it is a significant concern that the RFU will review and, possibly, rescind this position. There are significant injury and in particular, head injury factors that SRFC would be remiss to ignore.

On the 22nd of August 2022 the Lions Committee set out their proposal for reintegration into SRFC at Level 7. This had previously been discussed and not thought viable by SRFC, for several reasons (including player safety). The position again put forward by the Lions is the same position that has been discussed for the past 16 months.

To enable the Lions to remain autonomous, it is necessary to agree terms of use of the Stourton Park facilities. In the same way as we would for any other group/entity seeking to utilise SRFC facilities. This is good governance and practice and protects the position of the entire SRFC club.

As the start of the season was rapidly approaching and in at least 1 previous year (2021/2022), the Lions had not paid any traceable fees to SRFC for use of the facilities and administrative support, it was necessary to formally document the basis of the Lions continued use of Stourton Park, as they seek to maintain their Level 7 position.

Rationale for each Term

The SRFC Committee appreciate the emotive nature of a Heads of Term and legal agreement. As a result, SRFC invited comments by return on the Heads of Terms or signature of the same, if agreed (Please see covering email enclosed). It was requested that the negotiation took place on a fully confidential basis. A Heads of Term document is a document that sets a starting point for a negotiation between the parties.

To help the Lions Committee and to ensure that they treated the document as important and something that needed to progress quickly, SRFC offered to contribute £400 to the Lions to enable the Lions to obtain professional advice on the terms proposed in the Heads of Terms.



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It became apparent that, in contrast to the request for confidentiality and the offer to help fund professional advice, the details of the Heads of Terms were (in part) circulated widely and publicised on social media – without any understanding of how SRFC arrived at their proposal (detailed below) or indeed any positive attempt to negotiate their terms or seek professional advice.

Price

Fee:

The price for using the facilities was calculated on the following basis:

- Changing room and pitch on two training nights per week for 2 hours (cleaning £1,440 per annum and pitch and facility use £3,600 per annum) - £48.45 per training session per week or approximately £387.60 per month
- Use of changing rooms and a pitch for league/cup games for the entire year - £1,800. The minimum expectation would be use of *grass pitches. If the AGP was available, this facility would be provided at no extra costs. - £150.00 per month
- Storage of equipment and facilities provided for storage £50 per month (if required)
- Web Hosting - £20 per month
- Basic administrative support £50 per month

**We are unable to sub-let the AGP during the golden hours and as a result, this is the reason why the H.O.T refers to grass pitches, but obviously the AGP would be available and provided free of charge, if not being used by SRFC teams.*

These figures were and remain, a starting point and will depend on the requirements of the Lions.

The Lions have not fully communicated their requirements and as a result the above were prepared on the basis assumed above.

Write off/Waiver of Historic Liability:

Clause 3.2 of the proposed terms contained a provision that all historic liabilities between SRFC and any or current or historic entity of the Lions would be released so that both parties start with a clean financial position from September 2022.

As far as SRFC is able to ascertain, there may have been a historic loan from the Lions (complicated by the entity structure of the Lions – see below) to SRFC. At this stage, SRFC has been unable to verify the existence or quantum of the loan and the history of payments between the two respective clubs, in particular:

1. There appear to be no accurate historic accounting records between SRFC and the Lions detailing payments between the two respective clubs. This goes as far as SRFC being unable to verify or indeed accurately identify any payments in the last few financial years. This does not mean that payments have not been made, however it appears as if neither club is currently able to verify the position on a historic or even accurate basis. As part of the



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proposed Heads of Terms, the Lions were invited to provide financial and management information which could help identify any respective liabilities between the clubs.

2. It is unclear as to what proportion, if any, of any loan remains outstanding from SRFC to a Lions entity.
3. The current SRFC Management Committee has been in the process of seeking to reconstitute the clubs accounts to try and produce monthly management accounts. This process is ongoing, and, at present, it is difficult to understand the full extent of funding available to SRFC.
4. Between April and October 2021, the sum of £62,230 was withdrawn from SRFC and a further £20,160 following the approval of the Constitution in November 2021. As a result, the total amount of £82,390 of loan funding to SRFC was withdrawn in 2021. However, not all was done with the knowledge or consent of all of the Club Officers and Committee.

A further £10,000 was withdrawn in August 2022 making an overall total of £92,390. In addition, the full and precise position of SRFC's accounts, as inherited by the current Committee which is not yet clear. Accordingly, it is necessary for a full Financial General Meeting to take place prior to any Special General Meeting, for the current financial position of SRFC to be fully understood.

The level of any liability to the Lions cannot be determined without accurate financial information being provided by both the Lions and SRFC concluding its reconciliation of the accounts of SRFC.

5. The Lions new entity, (Stourbridge Lions Rugby Football Club 2022) has only recently been created. The historic entity of Stourbridge Lions Rugby Football Club Limited no longer exists on the FCA Mutual Register since its cancellation on the 5th of October 2016, or, as far as SRFC is aware, even still exists as an entity. As a result, without extensive legal and accounting advice it is difficult to understand whether a liability still, in fact, exists to the Lions or whether it belongs to, for example, the Crown.

Taking the above factors into account, SRFC proposed bringing to an end all historic positions between the parties, including any sums potentially due to SRFC from the Lions for the past financial years enabling both parties to start with a clean slate. This was intended to avoid additional complication reconstruction and trying to evidence, from a governance and accounting perspective of both SRFC and Stourbridge Lions 2022, that the new Lions entity has the benefit of any historic loans made by other Lion's entities to SRFC.



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Notwithstanding the position outlined above, if the Lions had engaged with SRFC on this point and were able to establish the amounts due and owing through production of accurate accounts together with confirming how the sums were now due and owing to the new Lions entity, SRFC are prepared to provide “credit” to the Lions to the value of any established loan, less any historic sums due to SRFC for use of facilities and services over the last few financial years (again subject to verification of the accounts). Such credit would have been set off against future charges under any agreement, thereby, in the short term, not costing the Lions anything to use the facilities at Stourton. The SRFC Management Committee are uncertain if this task will be possible to undertake.

Points of concern raised by the Lions

- Provision of financial and constitutional information 4.1.1 (a):

The provision of financial and constitution information is important from a good governance and management perspective to ensure that both respective parties are able to fulfil their respective obligations under any agreement. In addition, provision of financial information would help SRFC identify and keep accurate and detailed accounts, going forward, of the respective liability positions of the Lions and SRFC.

- Provision of current and anticipated player registration 4.1.1(b) and 4.1.2 (b):

As referenced in the SRFC proposal. SRFC do not consider that the Lions are able to maintain a Level 7 position. SRFC intends to, insofar as it is able, maintain and progress the position of the Greyhounds. As a result, it is important that SRFC implements its strategy of consolidating the amateur men’s teams and looking to build a league structure and pathway for the future. This would be difficult to do without certainty of player numbers and registrations.

Notwithstanding this position, there remains the option of sharing players with the consent of SRFC. Such consent would typically be provided in circumstances where the Greyhounds/Hoppers/transitioning colts would not have a fixture. This protects the integrity of the SRFC amateur game, enables SRFC amateur team managers to have visibility on players and first choice on selection.

The mechanics of this would, on the most part, be managed by the respective team managers to determine player availability and which players would be available to play for the Lions in future.

This provision is not a bar to player sharing, instead it preserves player numbers in SRFC and enables SRFC to go forward with its stated aims.



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- Change of registered office 4.1.1(c):

This is a practical proposal. As the Lions Committee have agreed to keep administrative functions within the Lions, SRFC cannot accept responsibility, from a legal and statutory perspective, to be the Lions' registered office.

It would not be reasonable or in the interest of SRFC members to be potentially liable for failing to pass on any notice or other statutory documents in circumstances where there are no Lions administrators based at Stourton. It goes without saying, this only deals with formal notices, of course any information and documents sent to the Lions at Stourton will be passed on to the Lions. However, SRFC will not accept legal liability for doing so.

- Quarterly review of the Licence Fee 4.1.2 (f):

The Heads of Terms includes provision for a quarterly review of the Licence Fee to ensure that the Licence Fee is a fair and proportionate representation of the overall costs.

In these circumstances, the Licence Fee can go both up and down. Having regular review ensures that the Lions are only paying for what they are using and not paying for services and facilities that are superfluous to what is required. If additional services/uses are required then, of course, the costs to the Lions would need to increase. In addition to this, we are all seeing the same headwinds in the economy and the ongoing rise in energy prices. SRFC needs to protect its position in circumstance where there is an ongoing increase in costs to run the facilities. It is only reasonable and proportionate that these ongoing costs are appropriately passed onto those that use the facilities.

The inclusion of this provision enables full flexibility and ongoing dialogue to ensure that only the actual costs incurred are being charged to the Lions.

- Fund and revenue raising 4.1.2 (f):

This provision is fully negotiable and SRFC is prepared to discuss this with the Lions. However, in order to permit this, SRFC would need to ensure that all necessary insurances, licences and statutory frameworks (to the extent required) are in place to the reasonable satisfaction of SRFC.

In addition to this, in return for revenue raising, SRFC would request that the Lions, as a club, support SRFC fundraisers and functions such as the Bonfire Night, May Lunch and May Ball with the assistance of volunteers and participation because these events benefit the Lions equally through the continued improvement of the facilities at Stourton.



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- Dual membership 4.1.2(i):

There is no requirement for members of the Lions to also join SRFC. Each can be separate.

This provision stipulates that where there are dual members of both (with no requirement to do so), for the purpose of considering any matters relating to the Lions. In the same way at an AGM, SGM and FGM dual members of both the Lions and SRFC will have no voting rights within SRFC on resolutions concerning the Lions, in the same way you would expect dual SRFC and Lions members to be precluded from voting on Lions matters which relate to its relationship with SRFC. This is to avoid any obvious or potential conflicts of interest.

This is not intended to require the Lions to join SRFC or vice versa, this is simply preserving the integrity of decisions being made in relation to the respective clubs.

Time Limits

From the perspective of the SRFC Committee, the discussions with the Lions committee (in various iterations) have been ongoing for 16 months. It is necessary in the interest of all parties to move on. With the Lions having expressed an interest of maintaining level 7 rugby, it necessitates the need to put in place quickly legal agreements to enable this.

As stated above, SRFC was and is:

1. Prepared to negotiate the terms of any legal agreement on a confidential basis with parties empowered by the Lions to do so.
2. Contribute £400 by way of costs to enable the Lions to seek and obtain professional advice; and
3. The proposed Heads of Terms builds in the ability to extend the time limit for agreement. (paragraph 5.1) However, in order to do so, an initial agreement has to be set with the finer detail to be negotiated and documented in an expedited manner to enable both respective entities to move forward this season with certainty.



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