

 EXECUTIVE 31st May 2018		Agenda Item No. 10
Title	Relocation of Kenilworth Wardens	
For further information about this report please contact	Andrew Jones (01926) 456830 Andrew.jones@warwickdc.gov.uk	
Wards of the District directly affected	Kenilworth wards	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Proposed Relocation of Kenilworth Wardens (Community Sports Club) to Castle Farm Executive Report 2 nd June 2016 - Minute	
Background Papers	N/A	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	No
Not applicable.	

Officer/Councillor Approval	Date	Name
Chief Executive	8 th May 2018	Chris Elliott
CMT	8 th May 2018	Chris Elliott, Bill Hunt, Andrew Jones
Section 151 Officer	8 th May 2018	Mike Snow
Monitoring Officer	1 st May 2018	Author
Head of Service	8 th May 2018	Dave Barber, Lisa Barker
Portfolio Holder(s)	14 th May 2018	Councillors Whiting, Phillips & Rhead
Consultation & Community Engagement		
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Final Decision?	No	

1 SUMMARY

- 1.1 The report asks Executive to consider whether it wishes to enter into negotiations for the purchase of land currently occupied by Kenilworth Wardens at Thickthorn, Kenilworth and also take further proactive steps to help facilitate the development of Castle Farm for sporting use.

2 RECOMMENDATIONS

- 2.1 That Executive notes the Warwick District Local Plan position as it relates to Kenilworth Wardens Cricket Club Limited (hereafter referred to as KW).
- 2.2 That Executive notes the financial principles underpinning KW's plan to move to a new site.
- 2.3 That Executive agrees that officers enter into negotiations with KW and Stoneleigh Estates' representatives for the in-principle purchase of the land allocated in the Local Plan for housing at site H06 occupied by KW thereby helping to facilitate the relocation of KW to Castle Farm and that the terms of funding for the land purchase are developed by the Council's Head of Finance, Head of Housing and Deputy Chief Executive & Monitoring Officer (DCX (AJ)), in consultation with the Portfolio Holders for Finance, Housing and Development Services, having taken appropriate advice from the Council's solicitors and that to enable the Council to procure any necessary services to develop its position authority is delegated to the Head of Finance and DCX (AJ) to draw-down funding from the Local Plan Delivery Reserve. Should negotiations lead to a satisfactory conclusion then a report (s) will be submitted to Executive and/or Council for the necessary permissions and release of funding.
- 2.4 That subject to agreeing recommendation 2.3, Executive agrees to make available up to £400k from the Community Projects Reserve to enable KW to complete all the necessary steps to submit a planning application and achieve all the necessary consents for its relocation subject to appropriate security being put in place as agreed by the Council's Head of Finance and Deputy Chief Executive & Monitoring Officer (DCX (AJ)), in consultation with the Portfolio Holders for Finance and Development Services, having taken appropriate advice from the Council's solicitors.
- 2.5 That subject to agreeing recommendation 2.3 and 2.4, Executive agrees to officers negotiating with KW to provide the up-front funding to develop the Castle Farm site thereby helping facilitate the relocation of KW. Should negotiations lead to a satisfactory conclusion then a report (s) will be submitted to Executive and/or Council for the necessary permissions and release of funding.

3 REASONS FOR THE RECOMMENDATIONS

- 3.1 Recommendation 2.1
- 3.11 In September 2017, Warwick District Council adopted the Warwick District Local Plan 2011-2029. Local Plan policy DS11 (Allocated Housing Sites) addresses the allocation of land for housing development and associated infrastructure. Site H06 - East of Kenilworth (Thickthorn) - is given an indicative allocation of 760 dwellings and includes land occupied by KW under a 999 year long-leasehold (WK297074) (Appendix 1) from the freeholder Stoneleigh Estates.

3.12 As described in the Executive report of 2nd June 2016, KW wishes to improve and expand its facilities but this is not possible on its current footprint at Thickthorn. It therefore approached the Council to see whether an alternative site was available.

3.13 Local Plan policy DS23 allocates land for outdoor sports and recreation in Kenilworth. In relation to the matter under consideration it states that:

"Land at Castle Farm (SP1)...is allocated for the provision of outdoor sport.

"Appropriate facilities associated with the provision of outdoor sport will be permitted provided that they preserve the openness of the green belt and do not conflict with the purposes of including land within it."

3.14 KW considers that by relocating from their current site to site SP1, it can improve and expand its facilities. As made clear by Executive's resolution following its consideration of the 2nd June report, the Council supports in-principle KW's desire to relocate to the Castle Farm site.

3.2 Recommendation 2.2

3.21 KW is c30 years into the 999 year lease. Its plan is that in tandem with its landlord, their respective interests in the land are surrendered contemporaneously to a third-party in consideration of a capital sum. That capital sum is estimated to be considerable and based on the work that KW has already undertaken would enable new facilities to be developed at the Castle Farm site; an endowment put aside to ensure the long term future of KW; and a payment made to Stoneleigh Estates. Discussions have been taking place between KW and Stoneleigh Estates over a number of years and they are in agreement to this approach.

3.22 The capital sum to be paid to Stoneleigh Estates has still to be agreed between the parties, however, KW has been clear that this sum must take account of the need to develop the Castle Farm site and provide the endowment. If these elements cannot be agreed then KW will be unable to move and given the length of tenure benefiting KW, Stoneleigh Estates would receive no capital sum.

3.3 Recommendation 2.3

3.31 KW and Council officers have been working closely over the last three years to arrive at the position where Local Plan policies are in place to facilitate KW's move; in-principle Executive approval has been given to KW's relocation; and KW is working with Council officers to ensure its plans are aligned with the aspirations the Council has for the redevelopment of Castle Farm Recreation Centre. This trust relationship has led KW to consider whether it would be advantageous for the Club to enter into a deal with the Council whereby the Council would take a freehold interest in KW's current site. KW has therefore stated that if the Council is able to meet its valuation of the site then it will do a private deal with the Council. Stoneleigh Estates is also agreeable to this approach.

3.32 Officers have instructed the Council's valuers Bruton Knowles to assess the KW site and should a value be available at the date of the meeting, Members will be updated; however, KW's own valuation of the land can be advised in private

session. The valuation is based on the fact that the Council's Local Plan allocates this site for housing.

- 3.33 Executive has made it clear that it wishes to take a more proactive role in the housing market but has been stymied by the Council's lack of land in its ownership available for development. This means that any significant house-building programme would rely on the purchase of land at market rate. The proposal put forward by KW enables officers to explore land purchase of a significant scale.
- 3.34 In summary, the outline to progress this proposal is by way of an 'Option' agreement between the three parties (Warwick District Council (WDC); KW; and Stoneleigh Estates). The Option would set out the various pre-conditions that would need to be satisfied before the WDC could exercise its option to call for a conveyance of the land. Various pre-conditions would be agreed by the parties e.g. a mechanism for fixing the value to be paid, the obtaining of planning permission, and various others. This approach is agreeable to both KW and Stoneleigh Estates.
- 3.35 There is still much work to be done before officers would be in a position to recommend purchasing the land. It is therefore proposed that the necessary work is undertaken and authority is delegated to the Head of Finance, Head of Housing and Deputy Chief Executive & Monitoring Officer (DCX (AJ)), in consultation with the Portfolio Holders for Finance, Housing and Development Services to negotiate with the representatives of KW and Stoneleigh Estates and if the outcome of those negotiations is considered satisfactory then reports are submitted to Executive and Council to secure the necessary permissions and release of funding.
- 3.36 To undertake the work necessary to progress the negotiations, officers may need to call on professional assistance. For example surveys, legal advice or market intelligence. It is recommended that authority is delegated to the Head of Finance and DCX (AJ) to draw-down funding from the Local Plan Delivery Reserve should this be considered necessary.
- 3.4 Recommendation 2.4
- 3.41 The opportunity to purchase KW's current site makes possible the Council's long-held ambition of delivering an extensive house-building programme. However, this opportunity only arises if in effect the Council is prepared to put itself "in the shoes" of a developer.
- 3.42 KW is a Community Sports Club and has limited funds. To take its plan forward KW was relying on a developer providing up-front at-risk funding so that KW could achieve the necessary planning consent to hopefully move to the Castle Farm site. KW estimates that the current cost of this work is up to £400k. The developer's position would be that in return for providing this funding, it would have secured an option on the Thickthorn land so that it would ultimately be the freeholder when KW moved.
- 3.43 If the Council wishes to secure the land with the prospect of developing housing it will need to act in a commercial manner by providing the up-front funding. However, there is a way to do this and release the up-front funding to KW without waiting for all the legal agreements for land purchase to be completed. Assuming that Executive does wish to purchase the land, in the interim it could take a charge out on KW's 999-year leasehold interest as security against the

up-front funding. If the Council ultimately purchases the land then the charge would simply fall away but if negotiations between the three parties do not lead to a successful conclusion for land purchase, the Council will have a charge to fall back on when the land is sold.

- 3.44 It is possible that should WDC provide up-front funding and planning permission is not achieved or the land values do not provide enough funding to enable KW to move then WDC would have a charge against land that cannot be developed. This is a risk that Members will need to consider.
- 3.45 If Members agree to the approach then it is recommended that Executive agrees to make available up to £400k from the Community Projects Reserve to enable KW to complete all the necessary steps to submit a planning application subject to appropriate security being put in place. The Council's Head of Finance and Deputy Chief Executive & Monitoring Officer (DCX (AJ)), in consultation with the Portfolio Holders for Finance and Development Services, will work with the Council's solicitors to ensure that the necessary security is achieved and that an appropriate commercial return is received.

3.5 Recommendation 2.5

- 3.51 As described above, KW is anticipating a significant capital receipt to enable it to move to Castle Farm. The work undertaken by KW suggests that the cost of developing the Castle Farm site will be in the region of £6-7m. KW's initial plan was that this funding would be provided from the capital receipt from its current site when it surrendered its leasehold interest and Stoneleigh Estates surrendered its freehold interest contemporaneously to a developer. If Members wish to pursue the strategic approach outlined in earlier recommendations then it could be advantageous for the Council to undertake the development of the Castle Farm site itself. Having discussed a number of possibilities with the Council's solicitors, officers are recommending that the following approach is taken:

- The Council purchases the land at Castle Farm that is currently in third-party ownership but which is required for KW's relocation;
- WDC develops the Castle Farm land based on a specification provided by KW;
- KW is granted a long lease by WDC of the Castle Farm land and relocates there;
- The terms of the lease set the rent at a level that takes account of the development and investment WDC has made but delays rent payments until KW has realised its value from the Thickthorn land development;
- WDC promotes and/or develops the Thickthorn land for housing;
- The development of the Thickthorn land results in the following:
 - A share for Stoneleigh Estates
 - A share for WDC/commission for promoting and/or developing the land
 - KW share arising from its interest in the land
 - KW would pay the outstanding rent through their receipt from the development of the Thickthorn Land

- 3.52 This approach would enable the Council to manage the development of the site in line with whatever aspirations it has for the land occupied by Castle Farm Recreation Centre and other facilities. It would also mean that the Council could benefit financially by way of commission from KW for providing the up-front funding.

- 3.53 If Members wish to pursue this route then negotiations will continue with KW so that a report (s) can be submitted to Executive and/or Council for the necessary permissions and release of funding.

4 POLICY FRAMEWORK

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. Amongst other things, the FFF Strategy contains Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The Council's SAP's are the programme of work fundamental to the delivery of the strands described in the table below.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
Opportunity for Council to provide social housing. Facilitates the relocation of Kenilworth Wardens	Opportunity to develop public spaces in line with Council's various strategies	Employment opportunities through construction phase
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Opportunity for staff development in place-shaping	Opportunity to provide high quality homes and services	Effective use of Council's resources

5 BUDGETARY FRAMEWORK

- 5.1 If the Council were to seek to acquire the KW's site, this could potentially be purchased as a Housing Revenue Account site. Funding could be provided from the HRA Capital Investment Reserve (estimated balance @ 31 March 2018 £27.5m).
- 5.2 An options appraisal for the site would need to be prepared to consider how best the site should be developed. Subject to overall costs and available funding, it is possible that much of the site could be developed by the HRA for social housing, with the balance of the site sold to a developer for private market housing, so generating a capital receipt for the HRA.
- 5.3 Up to £400k is requested from the Community Projects Reserve in accordance with recommendation 2.4. The unallocated balance on the Community Projects Reserve is currently £622,000, prior to any allocations agreed on this Executive agenda. It is anticipated further contributions will be made to the reserve in 2019/20 from future New Homes Bonus.
- 5.4 The balance on the Local Plan Delivery Reserve is £149,000.

6 RISKS

- 6.1 Most of the risks emanating from the approach advocated in this report are mitigated by the need to submit further reports at a later date to the appropriate decision making body. There is an immediate risk that if Members agree to release the up-front funding then although security would be in place, this security might not be able to be readily realised. However, this is a risk Members will need to balance if they wish to take up the commercial opportunity available.
- 6.2 Officers do not consider that any of the proposals are at odds with State Aid provisions but this will be further checked.

7 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The proposals in this report seek to provide the Council with a realistic opportunity to own land and be in the position to bring forward a house-building scheme. Whilst there are many ways that KW could explore bringing forward its plans, the option for the Council to purchase the land is a binary choice. Does it want to or not?
- 7.2 There is no need for WDC to provide the funding for the sporting development at Castle Farm. However, not undertaking this role means that the Council misses out on the opportunity for interest and commission and it has less influence in the scheme's development.