

 EXECUTIVE 31st May 2018		Agenda Item No. 7
Title	Funding for Kenilworth School's Relocation to South Crest Farm	
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 (Appendices are Confidential and Commercially Sensitive)	
Date and meeting when issue was last considered and relevant minute number	N/A	
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)	Ref 869
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 Mobbs, Coker, Rhead & Phillips
Consultation & Community Engagement		
Final Decision?		Yes

1 SUMMARY

- 1.1 The report asks Members to consider up-front funding and the in-principle purchase of land at Rouncil Lane and potentially Leyes Lane in Kenilworth thereby helping to facilitate the relocation of Kenilworth School and Sixth Form and providing an opportunity for the Council to explore a house-building programme.

2 RECOMMENDATIONS

- 2.1 That Executive notes the Warwick District Local Plan position as it relates to Kenilworth School and Sixth Form (hereafter referred to as the School).
- 2.2 That Executive notes the *School's Relocation Project - Project Budget & Cashflow Analysis* at Appendix 1 and specifically the School's need to have funds in place of circa £1m by June 2018 to meet its target opening date of September 2021.
- 2.3 That Executive agrees that officers enter into negotiations with the School's representatives for the in-principle purchase of the land allocated in the Local Plan for housing at Rouncil Lane (currently the School's Sixth Form site) and possibly Leyes Lane (currently the School's main site), with the potential for advancing a loan being fully explored, thereby helping to facilitate the relocation of the School onto a single site at South Crest Farm and that the terms of funding and security of that funding are developed by the Council's Head of Finance, Head of Housing and Deputy Chief Executive & Monitoring Officer (DCX (AJ)), in consultation with the Council Leader, Council Deputy Leader, Portfolio Holder for Housing and Portfolio Holder for Development Services, having taken appropriate advice from the Council's solicitors.
- 2.4 Subject to agreeing recommendation 2.3, Executive notes that if it is considered appropriate that advancing a loan and/ or one or both of the aforementioned land purchases should proceed then a report (s) will be submitted to Executive and Council for the necessary permissions and release of funding, and that to enable the Council to procure any necessary services to develop its position then authority is delegated to the Head of Finance and DCX (AJ) to draw-down funding from the Local Plan Delivery Reserve.
- 2.5 Subject to agreeing recommendation 2.3, Executive agrees that if in the opinion of the Head of Finance, Head of Housing and Deputy Chief Executive & Monitoring Officer (DCX (AJ)), having consulted with the Council Leader, Council Deputy Leader, Portfolio Holder for Housing and Portfolio Holder for Development Services, up-front grant funding not exceeding £100,000 is required to enable the project timescales to be kept on track, then prior to the conclusion of negotiations and under the powers granted by the Localism Act, officers are authorised to enter into a grant agreement with the School to fund necessary surveys, studies etc. on the understanding that should negotiations conclude successfully, this grant will be recoverable from the School. The funding will be sourced from the Community Projects Reserve (CPR).

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 DS12 addresses the allocation of land for education and is reproduced below as it relates to Kenilworth:

"Land at Southcrest Farm, Kenilworth (ED2)...as shown on the Policies Map, is allocated for educational uses and other compatible uses (see policy HS5). This includes...the provision of a secondary school, 6th form centre and, if deemed the most appropriate location, a primary school.

"In the case of Southcrest Farm the whole area of the site is unlikely to be required for educational purposes. Any land within this site that is surplus to the educational requirement is therefore allocated for housing (see Policy DS11)."

- 3.12 Prior to the Plan's adoption and for a period of approximately four years, the School's Trustees (Kenilworth School is a Trust School owning its land and buildings) had been working with Ove Arup & Partners Ltd (land and property specialists hereafter referred to as Arup) on an options appraisal for the relocation of the school. It was this work and that of the Council's Planning Officers which resulted in the Local Plan land allocation at South Crest Farm for educational uses.
- 3.13 The land at South Crest Farm is in private ownership and negotiations continue between the parties for the sale of this land to the School.

3.2 Recommendation 2.2

- 3.21 At appendix 1 to this report, Members will note the high-level cashflow analysis detailing how the relocation project is anticipated to be delivered. There are three main sources of funding for the project: Capital receipts from the sale of the School's current land at Rouncil Lane and Leyes Lane; Section 106 contributions from other Kenilworth and immediate-area sites allocated in the Local Plan; and Housing Infrastructure Fund (HIF) funding from Central Government.
- 3.22 Based on a number of assumptions the analysis shows that the income coming into the scheme either exceeds or is in the region of the current scheme estimated expenditure of £46,917,000. Of all the various figures involved in the analysis there is only one figure that appears certain and fully quantifiable; the HIF funding from Central Government (currently subject to final due diligence by Deloitte on behalf of Government). All other funding is subject to market forces or negotiated planning obligations. However, at this stage of the project a reasonable conclusion to reach is that the scheme is deliverable, this confidence being endorsed by Government's decision to award £9,591,000 of HIF funding.
- 3.23 Although prima facie income equals or exceeds expenditure, there is a cashflow (timing) issue that needs to be addressed. The School hopes to be open on its new site for September 2021 and to achieve this it needs c£1m of funding to prepare for and secure planning permission by November 2018. The School's motivation for moving in this timescale is twofold: The funding it currently receives is not sufficient to operate a two-site school despite significant

efficiencies being made. Consequently it runs a deficit of c£0.25m each year. Secondly, many of the School buildings are in urgent need of repair and there isn't the funding available to address this issue. Consequently whilst the School has an "Outstanding" Ofsted rating, there is real concern that these issues will impact on the children's education.

- 3.24 From a housing delivery perspective, officers support the School's programme for relocation. The Local Plan allocates c2,200 homes in the Kenilworth area over the next 10 years and provision of appropriate secondary education is essential for community development and sustainability as well as the broader strategic need to keep housing delivery on-track.

3.3 Recommendation 2.3

- 3.31 Officers and Arup have explored various ways to address the School's cashflow issue and there appear to be two ways WDC could assist the school given the very clear position of Warwickshire County Council that it will not help with any funding. The Council could agree to make a loan of c£1m by June 2018 to enable the funding to be in place to deliver all the necessary studies, assessments and surveys required for a planning application. The major issue with this approach is ensuring that the loan has sufficient security in place. As the School's only assets are its landholdings, securing the loan against the land could have a detrimental effect on the land value which is problematic when it comes to realising the maximum capital receipt from the sites to fund the School's relocation.
- 3.32 The second option explored is for the Council to make a loan and to purchase the Rouncil Lane site which could then contribute to delivering the Council's house-building aspirations. Arup's model for the delivery of the new School presumes that a capital receipt of c£4.66m will be available by September 2018 following release for development of part of the Rouncil Lane site. However, the School has indicated that if the Council is able to meet its valuation of the site and make the necessary up-front funding available then it will do a private deal with the Council and not take the land forward for market sale. If the Council is to make up-front funding available, the financial cash-flow benefit should be reflected within the overall deal either in a reduction in the purchase price, and/or interest payments to the Council.
- 3.33 Officers have instructed the Council's valuers Bruton Knowles to assess the Rouncil Lane and Leyes Lane sites and should a value be available for the former at the date of the meeting, Members will be updated. The valuation is based on the fact that the Council's Local Plan allocates Rouncil Land for housing. Officers therefore consider that if the School was to grant the Council an option agreement for this site then it would be in a position to put in place forward funding to assist with the School's cashflow with the necessary security in place as even if the School's plans fell-through and it was unable to relocate, it appears possible to develop part of the Rouncil Lane site with the school still in situ (subject to further discussions with Sport England and due diligence with respect to land ownership and rights).
- 3.34 To give further surety to the delivery of the relocation scheme, officers have also discussed the potential for the purchase of the School's other current site at Leyes Lane, again land allocated for housing in the Local Plan. As with the Rouncil Lane site, Arup has advised that if the Council is able to meet the market valuation of the site then the School would be prepared to enter into a private deal.

3.35 Should Executive agree to this approach then the Council's Section 151 Officer, Head of Housing and Monitoring Officer will work with the Leader, Deputy Leader, Portfolio Holder for Housing and Portfolio Holder for Development Services to agree in-principle terms with the School.

3.4 Recommendation 2.4

3.41 The approach recommended at recommendation 2.3 would ultimately require significant funding if it is to progress. The release of the necessary funding would not be a matter for Executive but for Council and so if mutually agreeable terms can be concluded to advance a loan and/ or one or both of the land purchases should proceed then a report (s) will be submitted to Executive and Council (where necessary) to achieve the appropriate permissions and agree the release of funding.

3.42 To put the Council in a position to make an informed decision about the recommended approach, in the interests of speed and being able to respond to developing events, it is recommended that authority is delegated to the Head of Finance and DCX (AJ) to draw-down any necessary funding for professional services from the Local Plan Delivery Reserve.

3.5 Recommendation 2.5

3.51 As described at 3.23, the School hopes to be open on its new site for September 2021 but it needs c£1m of funding to prepare for and secure planning permission by November 2018. The recommendations in this report explain how this Council can assist with meeting this goal, however, timescales are very tight and to keep on-track there is a significant amount of work to undertake.

3.52 It is to be hoped that valuations will be received promptly, legal due diligence will run smoothly and negotiations proceed at pace. To stay on-track, Arup will need to commission surveys in a matter of weeks and it may be that negotiations are not concluded at the point surveys, studies etc. need to be commissioned. It is therefore recommended that if in the opinion of the Head of Finance, Head of Housing and Deputy Chief Executive & Monitoring Officer (DCX (AJ)), having consulted with the Council Leader, Council Deputy Leader, Portfolio Holder for Housing and Portfolio Holder for Development Services, progress appears to be positive then authority is delegated to the Head of Finance to draw-down funding of up to £100,000 from the CPR to enable Arup to commission the necessary services.

3.53 The Localism Act gives local authorities the power to enter into grant agreements. If Members agree to this recommendation then such an agreement will be entered into with the School on the understanding that should there be a successful conclusion to negotiations the grant will be recoverable.

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 School.	Opportunity to develop public spaces in line with Council’s various strategies.	Relocation of an “outstanding” school. 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 Rouncil Lane site, this could potentially be purchased as a Housing Revenue Account site. Funding could be provided from the HRA Capital Investment Reserve (balance @ 31 March 2018 £27.5m).
- 5.2 An options appraisal for the site would need to be prepared considering 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 A similar options appraisal would need to be prepared for the Leyes Lane. The acquisition of this and any other site would need to be duly prioritised alongside other Council aspirations and be subject to the overall funding available to finance such a scheme.
- 5.4 The option for a loan offer to aid the school's cashflow in the short term presents the Council with the possibility of earning a return greater than it is earning on its money market investments, or potentially on what it can borrow. However, this option would need to be fully explored, taking into account any legal restrictions and the potential risks.
- 5.5 The balance on the CPR is currently £622,000.

6 RISKS

- 6.1 The risks as a consequence of this report are largely mitigated as further reports would be necessary before a loan was made or land purchase was agreed. There may be some reputational damage if ultimately the Council decided not to proceed as it may be viewed that the Council has hindered the relocation. This is mitigated by the very good working relationship between Council officers and the School Governors, as evidenced by collaborative working on the Housing Infrastructure Fund bid, who fully understand and appreciate the help the Council is trying to provide.
- 6.2 There is a higher risk when it comes to providing funds before negotiations have concluded. The Council could be committing up to £100,000 to enable the School to proceed with its timeline but there is no guarantee that negotiations will be successful.

7 ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The only alternative option is not to intervene and let the School proceed alone. Whilst this is possible, it is likely that there would be an impact on the relocation timeline with the consequential implications on the School's finances and potentially on the education of the children.