

	<b>Executive and Council</b> <b>12<sup>th</sup> April 2017.</b>	<b>Agenda Item No.</b> <h1 style="text-align: center;">12</h1>
<b>Title</b>	<b>Europa Way - Strategic Opportunity Proposal</b>	
<b>For further information about this report please contact</b>	Chris Elliott, Chief Executive telephone: 01926 456001 e-mail: chris.elliott@warwickdc.gov.uk	
<b>Wards of the District directly affected</b>	Myton and Heathcote, Whitnash, Bishops Tachbrook	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No but there are with some confidential appendices.	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Council and Executive on 11/3/15 Executive minute number 152	
<b>Background Papers</b>	Local Plan, Submission draft and modifications; Planning Application (W/14/1076); Planning Application (W/14/0967); Report to Executive in October 2014 re Council Housing Programme; Report to Executive in November 2014 re Sports and Leisure Review. Reports to Executive/Council in January and March 2015	

<b>Contrary to the policy framework:</b>	Yes/No
<b>Contrary to the budgetary framework:</b>	Yes/No
<b>Key Decision?</b>	Yes/No
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes/No 712
<b>Equality Impact Assessment Undertaken</b>	Yes/No (If No state why below)
An Equality Impact Assessment (EIA) will be produced as part of the delivery options appraisal.	

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	06.04.17	Chris Elliott
Head of Service	06.04.17	N/A
CMT	06.04.17	Chris Elliott; Bill Hunt; Andrew Jones
Section 151 Officer	06.04.17	Mike Snow
Monitoring Officer	06.04.17	Andrew Jones
Finance	06.04.17	Mike Snow
Portfolio Holder(s)	06.04.17	Cllr Phillips – Housing & Property
<b>Consultation &amp; Community Engagement</b>		

The Local Plan proposals have been subject to several public consultations and related planning applications that have been submitted have also been subject to public consultation. The proposals set out in this Report have been discussed on a confidential commercial basis with several agencies, but especially with Warwickshire County Council (WCC) and Leamington Football Club (LFC).

**Final Decision?**

No

**Suggested next steps (if not final decision please set out below)**

Subject to the satisfactory completion of negotiations with WCC and LFC, the next step will be to conduct an appraisal of delivery options and a further report on the outcome of that work will be brought by September 2018.

## **1.0 Summary**

- 1.1 This report provides Members with an update on the progress to implement the decisions made at the March 2015 Full Council/Executive in respect of the Strategic Opportunity Proposal (SOP) for land at Europa Way, Warwick and goes on to recommend that the Council purchase land from Warwickshire County Council (WCC) to develop a new community stadium and associated commercial enabling development.
- 1.2 It is proposed that Leamington Football Club (LFC) will relocate to the new community stadium and that the Council purchases LFC's current site for use as a Gypsy and Traveller site.
- 1.3 It is recommended that the Council undertakes a development options appraisal to confirm the feasibility of the community stadium development and produces a project delivery plan, to be subject of a further report to the Executive by September 2018.
- 1.4 Appendices 2, 3, 5, 6, 7, 12, 13, 14, 15 and 16 to this report contain commercially confidential information and should be treated as private and confidential.

## **2.0 Recommendations**

### **That Council:**

- 2.1 Resolves that this Council purchases the site at Europa Way indicatively identified edged blue on the plan attached at Appendix 1 ("the Stadium site"), subject to the conditions set out in Appendix 2 and at the price (with Stamp Duty Land Tax (SDLT)) set out in Appendix 3
- 2.2 Resolves, that subject to agreement to 2.1, to delegate authority to the Chief Executive, Monitoring Officer and the Section 151 Officer, in consultation with the Leader of the Council and the Portfolio Holders for Housing Services and Finance, to agree the detailed terms and conditions of the purchase and to complete the legal documents required to put this resolution into effect.
- 2.3 Resolves that the purchase price and SDLT for the Stadium Site, as set out in Appendix 3, and £60,000 to cover the planning applications, ground investigations and legal and professional advice required to complete the purchase, is initially funded from internal borrowing (utilising the cash backing the Council's reserves/balances).
- 2.4 Resolves that the Council enters into an agreement to conditionally purchase from LFC their existing LFC site at Harbury Lane shown at the Plan attached as Appendix 4 (the "Harbury Lane Site") based on the principles set out in Appendix 5.
- 2.5 Resolves, that subject to agreement to 2.4, to delegate authority to the Chief Executive, Monitoring Officer and Section 151 Officer, in consultation with the Leader of the Council and the Portfolio Holders for Housing Services and Finance to agree detailed terms and conditions for the purchase and complete the legal documents required to put this resolution into effect.
- 2.6 Resolves that the purchase price for the existing LFC Site, plus SDLT costs, as set out in Appendix 3, is funded from Right to Buy Capital Receipts.

- 2.7 Notes that until the negotiations on the detailed terms and conditions for both the Stadium site and the Harbury Lane site are completed, that the financial aspects of these proposals will remain private and confidential but that once the purchase is completed a report on the purchase price will be presented publically to Council.
- 2.8 Notes the outline Project Plan contained at Paragraph 3.33 of this report (the 'Project Plan') and that a further report will be brought back to Council by the end of September 2018 on the results of the delivery option appraisal for the next stage of the project.
- 2.9 Notes the Risk Mitigation Strategy set out in paragraphs 3.38 to 3.42 of this report.

**That Executive:**

- 2.10 Agrees, subject to approval of recommendation 2.1 and the completion of the purchase of the Stadium Site, to make £190,000 available from the Community Projects Reserve to:
  - 2.10.1 Procure consultants/ agents to undertake a delivery options appraisal of the community stadium and its associated enabling developments
  - 2.10.2 Commission advice regarding taxation, financial and legal structures.
  - 2.10.3 Cover the cost of legal advice to support this stage of work.
  - 2.10.4 Procure a resource for project management.
- 2.11 Delegates authority to the Chief Executive, in consultation with the Housing and Property Services Portfolio Holder, to agree with Waterloo Housing Group (WHG), the proposed purchaser of the land adjacent to the Stadium Site, how the two parties will co-operate with each other to deliver their respective developments.
- 2.10 Notes that Council officers will continue to explore with Warwick University (who own land adjacent to the Stadium Site) and other adjoining landowners, the feasibility of delivering a pedestrian/cycle link between the Stadium Site and the adjacent Warwick Technology Park and will report back if as progress is made and in any case no later than September 2018.
- 2.11 Notes that Council officers will continue to discuss the possibilities of an education/sports hub around the Stadium site with various education bodies and report back if as progress is made and in any case no later than September 2018.
- 2.12 Notes that Council officers and LFC will, in parallel with this project, discuss opportunities for establishing a football training facility and report back if as progress is made and in any case no later than September 2018.
- 2.13 Notes that once the purchase of the Stadium Site is completed Council officers will report to the Executive on options for the delivery of a Gypsy and Traveller provision at the Harbury Lane site and in any case no later than September 2018.
- 2.14 Delegates authority to the Chief Executive, in consultation with the Housing and Property Services portfolio holder, to seek any statutory or other consents deemed necessary to implement this project including, for the avoidance of doubt, the submission of planning applications.

### **3. Reasons for the Recommendation**

- 3.1 In January 2015 a report to Members gave agreement for officers to embark on a feasibility study. An opportunity had been identified that had the potential to address some issues which together created a conundrum for the Council. In summary, these issues were;
- 3.1.1 The Housing Revenue Account (HRA) was generating an annual surplus, part of which the Council wished to use to add to its stock of affordable homes and maintain and enhance the viability of its role as the largest and most accountable provider of affordable homes in the District. The Council was finding it difficult to acquire stock, often being outbid by housing associations.
  - 3.1.2 To secure land for education use, the planning consent granted to the Europa Way Consortia (EWC) (application W/14/1076) reduced the Affordable Housing allocation from 40% to 33%. A mechanism was sought that could make up that Affordable Housing shortfall elsewhere across the Southern Development Area.
  - 3.1.3 Officers had been discussing opportunities for relocation of LFC for several years. The club believed that the location of their ground on Harbury Lane restricted its ability to grow and expand its community based operations. They wanted to be closer to centres of population and be more accessible by public transport. A new community stadium could allow LFC to relocate and a site at Gallows Hill was proposed in the Local Plan.
  - 3.1.4 The Gypsy and Travellers Site Allocations Development Plan identified LFC's ground at Harbury Lane as a preferred option for a Gypsy and Traveller site. Re-location of LFC would free up that site.
  - 3.1.5 The site identified for the community stadium was very close to the land on which expansion of Myton School was proposed, along with a new primary school. That created an opportunity to develop a sports and education hub with shared facilities being available for community use.
  - 3.1.6 The Council's athletics track at Edmondscote requires significant long term investment. The creation of a new sports and education hub, including a community stadium, created an opportunity to consider re-locating the track to form part of that hub.
- 3.2 In July 2014, WCC had made a planning application (W/14/0967) in relation to land it owned between Gallows Hill and Europa Way, adjacent to the EWC site mentioned earlier. In addition to housing and open space the development in this area also envisaged a local centre, community hall and a site for a GP surgery. This site's development potential represented an opportunity to help resolve the conundrum.
- 3.3 The January 2015 report outlined 2 potential options for the Council to become involved in bringing forward the site for development. One of these involved purchasing the site using the HRA; the other proposed acquiring a nearby site and working with WCC to achieve a joint disposal.

- 3.4 In both cases, land would be retained for a community stadium development, paving the way for LFC to re-locate and opening the way for its current ground at the Harbury Lane Site to be developed as a Gypsy and Traveller site. The community stadium could facilitate development of a wider sports and education hub. The Council could potentially deliver more affordable housing than the levels required by WCC's planning consent, to make up the affordable element across the wider Europa Way sites (including EWC land) to achieve 40% in line with WDC's planning policy.
- 3.5 Members' approval was given for officers to commence feasibility work, with a further report in March 2015.
- 3.6 The report in March 2015 set out the findings of the initial feasibility work and recommended a preferred delivery option. Members accepted a recommendation that the next phase of feasibility work should be undertaken to bring forward a delivery plan based on that option. This report provides the results of that feasibility work.
- 3.7 The assessment of the various delivery models, as set out in Section 7 of this report, leads to the conclusion that none of those options is considered feasible other than the one recommended in this report, or that the Council should discontinue this project.
- 3.8 Council is now asked to agree that it purchases the Stadium Site as the first step of the delivery of a large community oriented project. Additionally, the Council is asked to commit resources to the completion of the next delivery step – a delivery options appraisal of whether and how commercial enabling development can generate enough value to pay for the construction of a new community stadium on the Stadium Site.
- 3.9 Upon the completion of the development options appraisal the Council will have another decision to make – either to continue with the community stadium development or instead to sell the site to a third party probably for housing in order to recoup the purchase price of the Stadium site and associated costs of the project (assuming this value can be achieved on the market at that time – see 3.40 of this report). The Council would have an opportunity to discontinue the project and dispose of the Stadium Site at every stage of the project, until it reaches the point where the Council commissions a contractor to design and build the community stadium. This exit strategy mitigates the risk of the Stadium Site being purchased in advance of the Council knowing for certain that a community stadium is feasible and viable.
- 3.10 It is envisaged that, if the community stadium is a viable option, upon completion of the community stadium LFC would sell the LFC Site to the Council at full market value for the Council to develop as a Gypsy and Traveller site.
- 3.11 This is without doubt a complex project with 6 main strands that are dealt with in turn below:
1. The Overall Business Case for a Community Stadium
  2. Purchase of Stadium Site
  3. Project plan to create a community stadium and relocate Leamington Football Club from its current Harbury Lane Site
  4. The Council's Risk Mitigation Strategy
  5. Purchase by WDC of the Harbury Lane Site by the Council for use as a Gypsy and Traveller site
  6. Other miscellaneous matters.

## **Overall Business Case for a Community Stadium**

- 3.12 In parallel with Council officers' work, LFC has produced a business plan (the "LFC Business Plan" attached as Appendices 6 to 11 of this Report) which shows that if a site of appropriate size was available, it would be feasible to construct and successfully operate a new community stadium. In addition to enhancing LFC as a sporting organisation the business plan sets out a range of additional community benefits that it would deliver. The Council commissioned an independent review of the LFC Business Plan which concluded that a development along the lines proposed could be feasible.
- 3.13 LFC's Business Plan illustrates how a new community stadium could be developed and operated. In line with the draft Heads of Terms proposed in the report to Council and Executive in March 2015, the plan is based on the assumption that the land required to accommodate the community stadium and its enabling development could be made available to LFC on a long-term lease at a nominal cost.
- 3.14 The Business Plan initially assumed that LFC would undertake the development without the Council being directly involved. However, with the Council now proposing to make a direct financial investment in the purchase of the Site, officers believe the Council should take a more direct role in the development process than was previously envisaged. That involvement will allow the Council to protect its investment by giving it direct influence over the delivery project. Whilst LFC's Business Plan was produced before officers reached this conclusion, its fundamental proposals remain valid and it has since been updated.
- 3.15 LFC's Business Plan sets out a proposal for the development of the community stadium. Details including budget estimates and schedules of accommodation are attached in Appendix 7. LFC's Business Plan identifies opportunities for enabling development including possibly (and subject to agreement) a hotel; a public house; a convenience store, crèche and retail units, forming a local centre; along with a small number of residential units. LFC's commercial property advisors report having received strong expressions of interest from potential operators to locate on the Site.
- 3.16 The capital budget (within Appendix 7) suggests that value derived from the enabling development could cover the cost of constructing the community stadium, but would not be sufficient to make any contribution to the cost of the purchase of the Stadium Site. Members therefore need to consider whether the community benefits offered by the proposal are sufficient to justify investment in the Stadium Site. A summary of those benefits is set out in Appendices 8 & 9.
- 3.17 The revenue budget within LFC's Business Plan is projected as delivering an ongoing surplus.
- 3.18 Following a competitive procurement process undertaken by the Council, Colliers International Property Consultants "Colliers" were appointed to review and critically evaluate LFC's Business Plan. Colliers were asked to advise the Council on the likelihood that the Business Plan could deliver a successful community stadium and a sustainable operating model. Colliers' report is attached as Appendix 12. The report concludes:

*"OVERALL*

*"We think that the strategy is good:*

- The Site is a good location for a community stadium;*
- LFC appear to have a good track record, ample potential for advancement in the football world, and the right "culture" to run a genuine community stadium;*
- The opportunities for enabling development are strong enough to give confidence that a stadium of good quality can be built with little or no debt;*
- Market conditions are good for operating the stadium as a sustainable business."*

- 3.19 Colliers have provided further advice and recommendations to the Council about how the Council should take the work on the community stadium forward. Their advice is attached at Appendix 13 and informs the recommendations in this report.
- 3.20 While the assessment of the LFC Business Plan by Council officers and Colliers demonstrates that there is an overall business case to develop a community stadium, there are some points of detail to be considered as the project progresses.
- 3.21 Firstly, at 4.24 hectares (ha), the Stadium Site is larger than the 3ha of land reserved under the terms of the current Section 106 Agreement. High level master planning work confirmed that a 3ha site would not be large enough to accommodate the stadium and sufficient enabling development. A further 0.5ha of land will be added to the 4.24ha site as two 0.25ha sites for a community hall and GP facility (provision of those sites is a requirement of the current Section 106 Agreement).
- 3.22 Secondly, the Stadium Site would be purchased "at risk" by the Council in so much as while initial analysis from Colliers suggest that a stadium of good quality could be built with little or no debt, there is presently no planning permission for a stadium and further work is required to develop the current high level feasibility work into a detailed proposal. However, this risk is mitigated by the fact that there are various stages at which the Council can decide to discontinue the stadium project and sell the site for housing. This risk mitigation strategy is set out in further detail at paragraphs 3.38 to 3.42 of this report.
- 3.23 Thirdly, as the Council would purchase the Stadium Site, it is considered that it should take a direct role in the development process. Council officers have worked with LFC's Directors to produce a set of draft principles ("the principles" forming the basis on which the Council and LFC will take the development of the community football stadium forward. These principles are set out in Appendix 5.
- 3.24 Based on these principles, officers will work with LFC to conclude an agreement(s) which will set out:
- How the Council and LFC would work in partnership to deliver a community stadium on the Stadium Site.
  - The terms for LFC's occupation of the new community stadium.
  - The terms for the Council's acquisition of the Harbury Lane Site.
- 3.25 The Council's purchase of the Stadium Site is conditional on LFC's shareholders endorsing the principles at its EGM and its Board subsequently signing the



contracts. The EGM is planned to be held in early May 2017. It cannot be held any earlier as 28 days is needed for notice period and administrative time.

### **Purchase of Stadium Site**

3.26 Waterloo Housing Group (WHG) have also expressed an interest in securing further sites for residential development in the District independently of the Council’s existing joint venture arrangement “W2” with WHG. This dual purchase approach would bring with it an opportunity to realise some of the Council’s original objectives in relation to housing as well as securing a site for the community stadium development and a Gypsy and Traveller site at the Harbury Lane Site.

3.27 It is proposed that the Council purchases the land to the west of the proposed spine road (see the plan shown in Appendix 1) at the same time as WHG purchases the land to the east of the proposed spine road. The land purchased by the Council would include:

Sites for community stadium and associated development	4.24ha
Site for community hall (Section 106 agreement requirement)	0.25ha
Site for GP facility (Section 106 agreement requirement)	0.25ha
Open space (supports residential development on WHG site – may be transferred to WHG at future date) and farmhouse access track	0.89ha
Site for education (Section 106 agreement requirement)	2.02ha

3.28 The terms and conditions of the proposed purchase are set out in Appendix 2.

3.29 Red Book valuation advice obtained from Cushman and Wakefield confirms that the price at which it is proposed the Council will purchase the Stadium Site can be justified based on its current consent for residential use.

3.30 WHG has sought approval from its Board of Directors to purchase the rest of the WCC’s land to the east of the proposed spine road.

3.31 WHG would not conclude the purchase of the land to the east of the proposed spine road if WDC decided not to purchase the Stadium Site. In that sense the two separate purchases are conditional upon each other as well as agreeing the satisfactory variation of the Section 106 Agreement to reflect the new ownership arrangements.

3.32 It is anticipated that it will take until September 2017 to finalise the legal documentation relating to the various land transactions. This work will incur costs of up to £60,000 and a breakdown of these is set out in detail at Appendix 14.

### **Project plan to create a Community Stadium and relocate Leamington Football Club from its current Harbury Lane Site**

3.33 It is proposed that the development project will comprise five broad phases:

Phase 1 (estimate 4 months)	Complete purchase of Stadium Site from WCC. Prepare procurement brief for Phase 2
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Phase 2 (estimate 12 months)	Consultants procured by the Council to undertake a Delivery Options Appraisal. This will identify to the Council whether there are developers in the market that are interested in being commissioned by the Council to deliver the whole scheme (enabling development plus the community stadium) on behalf of the Council or just certain parts of the scheme. The latter would leave the Council as the possible developer of the rest of the scheme if the Council should chose to proceed on that basis. Estimating the amounts likely to be offered by any developers for the enabling development opportunities and confirming whether that is likely to cover the actual costs of any development left to the Council. Produce high level site master plan, capital budget and cash flow. (RIBA Stage 1)
Phase 3 (estimate 12 months)	Follow a legally compliant procurement process to select and engage developer(s) through contractual agreements. Develop designs. Obtain planning consent for a Gypsy and Traveller site at the Harbury Lane Site in addition to the community stadium and enabling development. (RIBA Stages 2 & 3)
Phase 4 (estimate 12 months)	The Council and LFC jointly develop a detailed stadium specification. The Council completes contracts with developers and LFC. The Council follows a legally compliant procurement process to select and engage contractor(s) for any development being undertaken by the Council. (RIBA Stage 4)
Phase 5 (estimate 18 months)	The Council, or contractors engaged by the Council through a legally compliant procurement process, undertake construction and fit out of the community stadium to an agreed specification. The Council agrees handover and occupation rights. (RIBA Stage 5 to 7) Complete purchase of the Harbury Lane site. (Development of Harbury Lane as a Gypsy and Traveller facility by the Council will be managed as a separate project)

3.34 It is proposed that the Council procures consultants to undertake a Delivery Options Appraisal following advice provided by Colliers. There are 3 possible conclusions which the appraisal might reach:

1. Developers are prepared to take on delivery of the full scheme including stadium;
2. Developers are prepared to deliver the enabling development but not the stadium, so the Council would need to act as developer for that element (a hybrid development);
3. The Council should take on the role of developer for both the enabling development and stadium.

3.35 If the appraisal indicates that there could be a viable scheme, Council officers will produce a project delivery plan based on the preferred option. An estimate of cost covering the five project phases has been prepared and is attached as confidential Appendix 14.

3.36 To support the next phase of the development project a Project Board would be set up by the Council as proposed in line with the principles set out in Appendix 5.

3.37 The budget required to complete Phase 2 (the delivery options appraisal) is estimated to be £190,000.

### **Risk Mitigation Strategy**

3.38 The Council has procured specialist legal advice on the proposed arrangements set out in this report. Officers will take into account the legal advice as provided on these issues, and will ensure that any transaction emanating from this project (with WCC, LFC or other entity) complies with legal advice.

3.39 Members must understand that in purchasing the Stadium Site at this point in time the Council will be doing so without any absolute certainty or legal commitment that the community stadium can be delivered, but it will be incurring costs as it proceeds through the project phases. To manage the potential of abortive costs to arising, a report will be brought to Council at the end of each project phase which will update members as to progress made and enable them to consider whether the project should proceed to the next phase or be stopped.

3.40 Should Members decide that the project should stop, the Officer recommendation is likely to be to sell the Stadium Site to a third party for housing (excluding the sites that may be allocated on the Site for a possible community hall, GP surgery and open space). At present, the Stadium Site has planning consent for 50 dwellings (based on the Council's "share" of the current consent). However, without the Stadium being built, the Stadium Site has the physical potential to accommodate 122 units, subject to further planning consent.

3.41 Assuming that;

- The Council has proceeded as planned;
- Project costs were in line with those forecast in Appendix 14;
- A new planning consent for 122 dwellings was granted;
- The Stadium Site was sold for the value indicated by Cushman and Wakefield.

Then the Council would recover its expenditure on the Stadium Site at any stage up to the point of letting a contract for construction of the community stadium as illustrated in Appendix 15.

3.42 If a new planning consent was not forthcoming for additional dwellings on the Stadium Site, then current valuation advice indicates that the Council would recover the purchase price for the site but not the associated costs of the project or the SDLT paid.

### **Purchase of the LFC Site**

3.43 Subject to the agreement of its shareholders, a relocation of LFC to the new community stadium at the Stadium Site would allow LFC to dispose of its existing freehold site and existing stadium at Harbury Lane to the Council which has been identified by Officers as a suitable location for the provision of a site for Gypsies and Travellers. Members will be aware of the need for the provision of such a site in the District.

3.44 LFC's directors indicate that they are willing to recommend to the Club's shareholders that LFC enters a conditional contract for sale of the LFC Site to

the Council. This proposal forms part of a draft agreement being negotiated by Council Officers and LFC, the key principles of which are set out at Appendix 5.

- 3.45 LFC will not relocate from its current site until the new stadium has been completed according to a mutually agreed specification and is available for use. LFC would have a 150 year lease for the new community stadium.

### **Other Miscellaneous Matters**

#### Integrating the Development

- 3.46 A Section 73 planning application in respect of amending the position of the highway access point onto Gallows Hill will be needed following the advice of the County Highways Authority that the two junctions proposed to serve land north and south of Gallows Hill need to be aligned to create a traffic lighted cross roads. The landowner to the south is amenable to this and the submission of contemporaneous applications is planned with the costs being shared equably.
- 3.47 The proposed spine road through the whole of the Europa Way area will be accompanied by a cycle way and this will intersect with proposed cycles routes through the park area planned on the EWC site adjoining and with the route proposed to the west to the Technology Park and by WCC highways eastwards across into Tachbrook Park. Connections southwards will give cycle and pedestrian access to the land south of Gallows Hill and then onto the country park along the Tach Brook. Connections northwards will give access to the existing cycleway along Myton Road.
- 3.48 The Stadium Site adjoins the Warwick Technology Park to the west. This is an area with a large amount of employment but no communal local facilities. There is an opportunity to create a footpath/cycleway link from the Technology Park to the new development at the Stadium Site. This would support walking and cycling to travel to work, also offer greater accessibility for the local commercial centre to a ready-made market of customers. It is proposed that officers investigate the opportunity further and liaise with the University of Warwick (which owns the adjoining land) with a view to reporting back to members at a later date.
- 3.49 It is anticipated that a range of statutory and other consents may be needed and so delegated authority for the Chief Executive to seek such consents is sought to prevent any unnecessary delay to the progress of the scheme.

#### Sports and Education Hub

- 3.50 The Council's objective of creating a sports and education hub on the Stadium Site, along with the possible relocation of the Council's current athletics track in Leamington, are dependent on decisions by the various education bodies. Officers will monitor the situation and maintain a dialogue and if any progress can be made then a further report to members will be submitted. This is particularly relevant to the possible relocation of the athletics track.
- 3.51 LFC have indicated to officers its ambition to develop a football training facility nearby and it is proposed that this matter is investigated and officers report back to the Executive on the outcome of those investigations.

### Affordable Housing

- 3.52 One of the Council's original objectives had been to maximise the provision of affordable housing and, if possible, the Council's own housing stock. Although the planning permission for the WCC site overall provides only for 35% affordable housing, WHG plan to develop at 40% by way of a grant from the Homes and Communities Agency.
- 3.53 In addition, when it develops schemes, WHG often disposes of social and affordable rent units to other registered providers rather than retain them as part of its portfolio. This may mean that there is an opportunity for the Council to add to its housing stock. However, Members should understand that there is no contractual obligation for WHG to offer, or for the Council to accept, ownership of any of the housing. Should the possibility of WDC taking ownership of some of the housing arise, then a further report setting out the business case to the Council would be needed.

### Gypsy and Traveller Site Provision

- 3.54 Council officers will work to identify an appropriate delivery model for development by the Council of a Gypsy and Traveller site at the LFC Site and shall return to Members with proposals once a delivery plan for the community stadium has been agreed. Ultimately, the ability to deliver a Gypsy and Traveller site at the LFC Site is dependent on the community stadium being successfully delivered, due to the need for LFC to relocate.

## **4. Policy Framework**

- 4.1 The Council's Sustainable Community Strategy (SCS) has a vision to help make the District a great place to live, work and visit. Evidence of progress has been demonstrated recently when the Halifax Building Society annual survey rated the District as 11<sup>th</sup> in the country in 2015 and more recently with Leamington being amongst the 100 best places to live in Britain by the Sunday Times.
- 4.2 The SCS is underpinned by 5 policy areas – Prosperity; Housing; Health and Well Being; Sustainability and Community Safety. The proposal will help address all of these policy areas directly and indirectly.
- 4.3 The Council's Fit for the Future programme has 3 elements – Service, People and Money. The proposed strategic approach on sustainability aligns with these three strands as follows:
- Service – key objectives of the proposal will be based on engaging and proactively working with community groups, the general public, businesses and public bodies on issues relating to development and housing and leisure/sports which would represent an enhancement of our services;
  - People (cultural change) – one of the aims of the Council's approach is to embed a community focus and one council approach within the organisation. The proposal will involve ongoing awareness-raising and skills development for all staff and Elected Members; and,
  - Money – the proposal will enable the Council to deliver on a number of its strategic ambitions with the effective use of its resources.

- 4.4 The Local Plan for Warwick District provides for the spatial interpretation of the SCS. It also provides the statutory framework for determining planning applications. The proposal accords with the Plan, as now proposed to be modified and indeed is designed to implement the Local Plan proposals as they relate to the Europa Way area of the District. Agreement to the proposal will be helpful to the Council as it will help to demonstrate the soundness of the Local Plan and of its deliverability.
- 4.5 The anticipated Myton Garden Village fully accords with the prospectus issued by the Council in May 2012 'Garden Towns, Villages, and Suburbs: a prospectus for Warwick District Council'.
- 4.6 The Council approved a new Housing Strategy in 2017. The strategy also includes aims to provide for the identified needs of gypsies and travellers and to use to best effect the new financial freedoms to build Council housing.
- 4.7 The Local Plan in general, and the Southern Development Area in particular, are key to meeting the need for housing across the district and successfully pursuing the SOP will clearly contribute significantly to achieving a number of the Council's strategic aims in respect of housing.

## **5. Budgetary Framework**

### **5.1 Project budget**

In March 2015, a budget of £100,000 was agreed to support this feasibility project. That has been spent or committed in full.

### **5.2 Funding the purchase**

In respect of the proposed purchase cost and SDLT it is proposed that this will be paid for initially by internal borrowing utilising the cash backing the Council's reserves/balances. Within the Council's Budget and Medium Term Financial Strategy, these cash balances are currently estimated to earn interest at a current rate of 0.5%. This means that there will be a minor opportunity cost from the lost interest that will need to be reflected within the Council's Medium Term Financial Strategy.

- 5.3 It will also be necessary for the Council to commit £60,000 to fund associated costs (legal costs, planning applications, ground investigation costs and other professional advice) required for completion of the purchase. This can be funded similarly by internal borrowing.

- 5.4 Assuming the community stadium is proven to be viable as a result of the proposed feasibility and viability work, it will then be necessary for the Council to provide long term funding for the purchase costs for the Stadium Site. This report does not require the Council to agree at this stage how the long term funding and of the land purchase costs will be sourced as this will be subject to the Council taking further financial and legal advice, and will be financed in accordance with the Council's Treasury Management Strategy. However, at this stage the options being considered are: -

- 5.4.1 Long Term Borrowing. This may be from the Public Works Loans Board, in which case an annuity loan at an interest rate forecast in 2019 of 3.0% over 40 years would present a significant extra annual cost to the Council. As the Council's repayments on this loan would comprise interest and principal, this

would allow for the land to be fully funded. The annual cost would need to be included within the Council's Medium Term Financial strategy. Assuming Members do not wish to increase the savings to be found in the short/medium term, it will be possible to fund this from "top-slicing" the Council's future New Home Bonus (NHB) allocations. Given the greater certainty of the future of NHB in terms of the basis of the scheme and the new building in the District, and the fact that the Council has only currently committed a small element of future NHB (in respect of certain Waterloo Housing schemes), the Council does have scope to rely on this funding with some surety. However, in the longer term, it should still be planned to make savings to accommodate the on-going costs within the Council's MTFs rather than rely on NHB.

- 5.4.2 Use of Right to Buy Capital Receipts. The Council does have freedom over how these are utilised, being able to fund General Fund or Housing capital schemes. The Council's policy has been for these to be retained for housing purposes, and currently primarily assisting to fund the Disabled Facilities Grants. As part of agreeing the 2017/18 Budget, the Council did agree that £1.9m of these receipts would be used to fund the General Fund (non-housing) Capital Programme. It also agreed that, given the Council's current financial position the Council should review its policy for the future use of this funding within the forth-coming Fit for the Future report in June 2017.
- 5.5 Once all the community stadium development viability work has been completed, this will be presented to Members via a further report. If it is proposed that the Council proceeds to develop a community stadium, that report will also propose how the land purchase (along with SDLT and associated costs) is financed, as temporary use of balances is not sustainable in the long term.
- 5.6 If the community stadium development is not viable, officers would recommend to Council that the Stadium site is disposed of for housing. There is reasonable assurance from the valuers that the Council will be able to dispose of the land for at least the price it paid (including SDLT and associated acquisition costs), in which case it is envisaged that the Council's investment in the Site would be re-instated using the receipt from the disposal of the Site.
- 5.7 The Council does have the option of providing long term funding for the land purchase now rather than using short term investment balances. However, if long term borrowing were taken out and it later is agreed to dispose of the site, the Council would incur significant premiums in redeeming the debt early which may not be covered by the receipt from the disposal, so this is not recommended.

#### Project Costs

- 5.8 It will cost an estimated £190,000 to progress the project to the next stage, RIBA Stage 1.
- 5.9 It is proposed that this cost is funded from the Community Projects Reserve which currently has an unallocated balance of £510,000. This would only be drawn down once completion of the purchase had occurred.
- 5.10 Both the Europa Way Site and the current LFC site, once acquired by the District Council will be held within the General Fund.

## 6. Risks

6.1 A detailed risk register is attached as Appendix 16.

## 7. Alternative Option(s) considered

7.1 The report in March 2015 identified five delivery options which were to be appraised. In summary:

1	Direct funding & development - The Council purchases the land and develops the Site itself for sale of market homes and retention of Affordable Housing
2	Appointing a development partner – The Council purchases the Site and sells on to developer(s) who agrees to sell back to the Council, at an agreed price, a specified number of affordable homes.
3	A joint venture – the Council secures a partner to work with to develop the Site; sharing funding requirements, risks, losses and rewards.
4	W2 – exploring an informal proposal from WHG to proceed under the auspices of W2, the Council’s joint venture with WHG.
5	LLP – Having initially declined to consider involving itself in the housing elements of Europa Way, the LLP re-emerged as a potential delivery partner.

7.2 In appraising each of the options, consideration has been given to

- the extent to which the Council has effective control over the shape and outcomes of the development.
- the impact on the Council’s financial capacity to invest in other projects in addition to Europa Way.
- the Council’s capability and capacity to deliver the project.
- financial, operational and reputational risks to the Council.
- compliance with procurement requirements.
- overall value for money and economic sustainability

From which it was concluded as follows:

### Direct Funding and Development

7.3 The original SOP concept was based on using the Housing Revenue Account’s (HRA’s) surplus to fund transactions that would eventually leave the Council owning housing at Europa Way. However, the HRA is tightly controlled by central government rules and regulations. As work progressed new issues and government policy announcements emerged after the General Election which has had significant implications for all Councils with housing stock. These changes have had a profound impact on the options originally considered.

7.4 This option would have given the Council the greatest degree of control. However, there would be extensive financial exposure and the Council would carry all the risks of a developer, a role in which it has no experience.

7.5 The levels of risk associated with this option leaves officers unable to recommend it.



### Council appoints a development partner

- 7.6 The Council still carries the risks associated with the purchase and on-sale of the Site for which it would need to use General Fund resources. The HRA could buy back the affordable housing from a developer.
- 7.7 An open, competitive procurement process would be required to identify an appropriate partner. Such a process would bring with it both costs and delay. The timetable imposed by WCC and their unwillingness to allow the Site to be identified in any form of market testing, would not allow the Council to embark on such an exercise in advance of committing to purchase the Site.
- 7.8 The risks are considered too great to allow officers to recommend this option.

### A Joint Venture

- 7.9 An open, competitive procurement process would also be required to identify an appropriate partner. Such a process will bring with it both costs and delay.
- 7.10 Again, the timetable imposed by WCC and its unwillingness to allow the Site to be identified in any form of market testing, do not allow time to embark on such an exercise in advance of committing to purchase the Stadium Site. The General Fund would therefore have to fund the purchase and carry the associated risks. The benefits of only being able to share development risks are not considered sufficient to recommend this option.

### Using W2

- 7.11 Legal advice concluded that the terms on which the W2 joint venture vehicle with WHG was originally procured do not cover the type of arrangements proposed for Europa Way.

### Using the Council/PSP LLP

- 7.12 The LLP, comprising the Council and Public Sector PLC ("PSP), proposed a scheme designed to insulate the Council from any risks associated with the various land and development transactions. Its liability was limited to purchasing the AH at a capped price. As the business model and its associated budget were refined, PSP reach a conclusion in May 2016 that the scheme's risks were so large as to threaten their ability to cover the costs of acquiring, holding and selling on the Site as well as providing PSP with an adequate return.
- 7.13 PSP withdrew its financial support and indicated that it was only prepared to take the proposal forward if the Council agreed to underwrite the scheme. That would have left the Council carrying all the risk, which officers are unable to recommend.

### Other Options Considered

#### Adjoining Land and Heathcote Hill Farmhouse-

- 7.14 On one side of the WCC's land there is a triangular shaped site in another ownership. Once officers had concluded that they could not recommend the Council acquires the Site direct, negotiations with the owners of that site were halted. Similarly, it was not possible to identify a viable business case to

support purchase of Heathcote Hill Farmhouse and discussions with the owner were terminated.

Do Nothing

7.15 If the Council and WHG do not purchase the Stadium Site now, WCC has made it clear that it will seek a sale on the open market. Were that to happen, the Council would be left reliant on the terms of the current Section 106 Agreement if it wished to acquire the Site. Projections based on the Section 106 Agreement indicate that acquisition under those terms is likely to cost more than the amount now offered by the Council. Indeed, there would be a risk that the landowner could refuse to sell the Council more than the base 3ha covered by the reservation, an area which is not believed to be large enough to deliver a successful scheme.

7.16 If Members agree that the scheme is taken forward as proposed in this Report (and subsequent Reports as detailed herein), the table below summarises the extent to which the original objectives can be delivered and compares this with the situation if WCC was to take the Site to the open market:

Objective	Scheme as proposed	WCC takes site to market
Deliver 40% Affordable Housing overall of the Europa Way site (WCC and EWC sites)	WHG would seek to raise the affordable housing percentage delivered for their site to 40% and 35.4% overall across the combined sites	Core WCC site would be developed with 35% Affordable Housing. If the stadium development fails to come forward, the developer would need to make up to 40% or pay off-site Affordable Housing contribution of £2.6m. EWC remains at 33%.
A contribution to the Council's own council housing ambitions	The Council could have the opportunity to purchase any Affordable Housing of which WHG chooses to dispose.	The Council would explore whether WCC may be prepared to require a developer to give WDC the option of a presumptive right to match the best offer received.
Community Stadium - Football club relocation	A site of appropriate size would be secured in the Council's ownership.	There are two possible scenarios:  Scenario 1 The Council could seek to purchase a site for the stadium from WCC who could then put the rest of the site to market.  Scenario 2 WCC markets the whole site and sells. The Council delays purchase, develops the

		stadium proposals and relies on the provisions of the Section 106 Agreement to draw down the land. However, there is no guarantee that the owner would agree to release more than the 3ha reserved.
New Gypsy and Traveller site	Gaining ownership of the Stadium site is the first step towards delivering the community stadium, which in turn opens opportunity to bring forward the Harbury Lane site as Gypsy and traveller site.	If LFC remains at Harbury Lane, the Harbury Lane site could not be brought forward for a Gypsy and Traveller site.
Development of education/sports hub	May be possible, but dependent on Local Education Authority and other education bodies' cooperation. Links to Warwickshire College possible.	Market would not deliver hub.
Relocation of athletics track	May be possible dependent on Local Education Authority and other education bodies' cooperation and the Site's design layout.	May be possible to locate track onto education land dependant on education solution chosen
Help deliver the Council's overall ambitions for the quality of development and infrastructure delivery	Would assist, but other sites now ahead and being effectively managed through policy.	Continue to rely on policy.

7.17 Overall, whilst not all objectives can be fully attained, the Council's proposal plus WHG's development of the adjoining site produces the opportunity to potentially deliver more benefit than could be expected were WCC to take the site to market.

## Schedule of Appendices

Number	Public/ Confidential	Title
1	Public	Europa Way site plan
2	Confidential	WDC / WHG Offer Terms and Conditions
3	Confidential	Summary of proposed purchase prices for land to be acquired
4	Public	Harbury Lane site plan
5	Confidential	Community Stadium Development – Summary of Key Partnership Principles
6	Confidential	Leamington FC Business Plan for community stadium
7	Confidential	LFC Business Plan – Appendices 1 to 3B
8	Public	LFC Business Plan – Appendix 4A – Community benefits
9	Public	LFC Business Plan – Appendix 4B – Community benefits summary
10	Public	LFC Business Plan – Appendix 5A – Community stadium visual
11	Public	LFC Business Plan – Appendix 5B – Community stadium illustrative floor plans
12	Confidential	Colliers International - Review of LFC Business Plan
13	Confidential	Colliers International – Advice regarding delivery process
14	Confidential	Schedule of site purchase costs and project cost forecast
15	Confidential	Risk Mitigation Strategy
16	Confidential	Project Risk Register