
Report to: Cabinet

15 February 2005

Report of: Directors of City Development, Legal and Democratic Services and Finance & ICT

Title: SWANSWELL INITIATIVE - LEARNING QUARTER LAND ACQUISITION
(St Michaels, Foleshill and Radford Wards)

1. Purpose of the Report

- 1.1 At your meeting on 17 August last year you approved the Draft Swanswell Initiative Masterplan document as a basis for ongoing public consultation and reports back by Officers. As part of the Initiative you also approved, in principle, your commitment to support and facilitate the availability of a suitable site for a new City College, a key component of the proposed new Learning Quarter.
- 1.2 The purpose of this report is to identify a one-off opportunity to secure substantial funding from AWM to fund the acquisition of the suitable site.
- 1.3 AWM is requiring a very challenging timetable to which we have to respond.

2. Recommendations

- 2.1 Cabinet is asked to recommend the Council (at its meeting on 22 February) to:
 - (i) Approve the Heads of Terms detailed in section 5 provisionally agreed with AWM. Also, to delegate the decision on entering into the agreement with AWM to the Directors of Legal & Democratic; City Development; and Finance & ICT (As detailed in Section 11, and also referred to in Section 7).
 - (ii) Approve the completion of the necessary grant agreement with AWM to secure and draw-down such funding.
 - (iii) Authorise the Director of Legal and Democratic Services to complete all necessary legal documentation with AWM (as detailed in section 11).
 - (iv) Subject to (i) and (ii) approve the acquisition of the land concerned from Whitefriars Housing Group ("Whitefriars") (as detailed in Section 10).
 - (v) Note that the Director of City Development will report back on the Heads of Terms for the subsequent disposal of the majority of the site to City College, as soon as these have been agreed, and the addition to the capital programme of £3.15m in 2004/5.

- (vi) Note the extremely challenging timescale for completing the above, and acknowledge that if this is not achieved by all of the parties involved that this funding will be not be available. (Note: All matters, including the land purchase have to be completed by 31 March 2005. Please see Section 8 regarding the way forward if funding is not used by the deadline).

3. Information/Background

- 3.1 At your meeting on 17 August you approved a report, on the Public part of your agenda, and the principle of facilitating a suitable site by negotiation between Whitefriars and City College. At the same meeting you approved a linked Private Report that provided the (commercially confidential) details of the proposed land acquisition and funding. Both reports sought reports back regarding the details once agreed between all parties.
- 3.2 The land required, and currently owned by Whitefriars, is shown edged black on the plan shown as **Appendix 1**. (Note: Plots 1, 2 and 3 make up the site. Plot 4 is currently owned by the City Council). The plan also shows 7 residential tower blocks on the site that Whitefriars are in the process of demolishing. All bar 2 will be down by 31 March. Section 11 details the legal arrangements whereby the Council will allow Whitefriars to remain on site and to complete the demolitions as a soon as possible after 31 March.
- 3.3 The previous private report detailed how Whitefriars are prepared to dispose of their land at "Housing Value" (£500k/acre); whilst City College can only pay "Education Value" (£250k/acre). The dilemma for the Council was that it was being asked to Gap Fund the difference (ie @ £250k/acre) in order to guarantee that the project could proceed. Council funding had not been identified at that time. A range of options, involving substantial scrutiny of the City College development Business Plan, have been investigated. Cabinet charged officers with responding to 9 specific issues detailed in the previous private report. The responses are detailed in **Appendix 2** of this report.

4. Proposal and Other Option(s) to be considered

- 4.1 We are nearing the end of the financial year, and AWM have identified underspends, and provisionally offered to fund the Council's acquisition of the land concerned. They do not wish to acquire the land themselves due to their accounting procedures, which would effectively penalise them for holding such a legal interest. Consequently the Council will acquire the freehold interest. The Council will subsequently dispose of the majority of the land to the City College via a long lease on detailed terms to be agreed with City College (but provisionally agreed at £250/acre). The remainder of the site will be retained for the new school (and other Council elements of the Learning Quarter).
- 4.2 The clear advantages to the Council of the AWM funding offer are as follows:-
 - (i) The Council will retain the Freehold interest in the whole of the Learning Quarter. This provides additional controls over those it has as planning authority, regarding quality of design, usage and management of the Quarter, both now and in the future.
 - (ii) The costs of acquisition will be met by AWM. The Council will (as before) be required to fund the land required for the new school (via a payment to AWM rather than Whitefriars). The savings to the Council are detailed in Section 9.

5. Terms of AWM's Deal

5.1 The Council will acquire the site (Plots 1, 2 and 3 shown edged black on the Appendix 1 plan) from Whitefriars before 31 March 2005. AWM will provide capital funding to facilitate the acquisition. The Council will then dispose of the site at market value to support Swanswell Initiative development. Capital receipts from any disposals will be payable to AWM.

5.2 *Overage*

If any capital receipts received exceed that paid for the land, such "overage" shall be shared between AWM and the Council (on a basis to be agreed).

5.3 *Legal Agreements*

The Council to complete a grant agreement with AWM. The Council to complete a separate legal agreement (in favour of AWM) to secure the obligations agreed under the grant agreement.

5.4 For other details regarding the land purchase see Section 10.

6. Other specific implications

	Implications (See below)	No Implications
Area Co-ordination	✓	x
Best Value		x
Children and Young People	✓	
Comparable Benchmark Data		x
Corporate Parenting		x
Coventry Community Plan	✓	
Crime and Disorder	✓	
Equal Opportunities	✓	
Finance	✓	
Health and Safety		x
Human Resources		x
Human Rights Act		x
Impact on Partner Organisations		x
Information and Communications Technology		x
Legal Implications	✓	
Property Implications	✓	
Race Equality Scheme		x
Risk Management	✓	
Sustainable Development	✓	

	Implications (See below)	No Implications
Trade Union Consultation		x
Voluntary Sector – The Coventry Compact		

7. Risk

- 7.1 You are being asked to approve the deal before the details and requirements of AWM funding agreement are fully known, and before the full details of the planned disposal to City College have been agreed. This is dictated by AWM's timetable. Your next meeting on 8 March is too late to tie-in with this time-limited programme. The three signatory Directors to this report will, examine the details of the agreements, negotiate with AWM where possible to improve terms and will make a decision whether or not to enter into the grant based on the overall financial, legal and other relevant implications and the level and likelihood of any risks
- 7.2 The deal will require the Council to take the site earlier that it had intended. Consequently, the Council will be responsible for maintaining the site until (i) the majority has been disposed off to City College (Estimated as being January 2006), and (ii) the Council has been able to clarify its aim to fund and build a new school, and other potential elements, on the remainder. The site will be managed by City Development's Portfolio Management Office during this period.
- 7.3 If either the new college or the new school do not proceed, for any reason, the Council will still own and control the land for the benefit of the Swanswell Initiative; albeit that AWM will have legal controls over the land to reflect its investment.

8. Timescale and expected Outcomes

If you approve this report, and if Whitefriars and AWM are able to perform, the land purchase must be completed by 31 March. If it is not, officers will report back with options for dealing with the funding gap (as originally intended and tasked).

9. Financial Implications

- 9.1 The overall impact of the Council receiving the AWM grant is a benefit of £1.575m: - this being the total cost of the purchase of the Whitefriars land of £3.15m less the expected clawback of the grant of £1.575m. The clawback relates to the receipt from the sale of the land to the City College plus a sum calculated on the Council's use of the land at Education value. In simple terms the AWM grant is funding the difference in value of the site from Housing value to Education value.
- 9.2 N.B. AWM have indicated that if the land is not used for educational purposes, they may seek to recover the full amount paid for the land i.e. £3.15M. Any amount received above £3.15m will be subject to an overage agreement between AWM and the Council.
- 9.3 The area of Whitefriars land to be acquired is 6.3 acres. Consequently, the land valuations are as follows:
- (i) Land to be purchased from Whitefriars by Council 6.3 acres @ £3.15m
£500k/acre (Housing Value)
 - (ii) Land to subsequently disposed of to City College (via long lease) £1 – 1.25m

Note: Precise land needs of College yet to be clarified.
c. 4 - 5 acres @ £250k/acre (Education Value)

- (iii) Land that will be subsequently required by the Council for the remaining elements of the Learning Quarter (i.e. new school and associated Quarter features and facilities – yet to agreed and funded) £0.325 – 0.575m
c.1.3 - 2.3 acres @ £250k/acre (Assume Education Value)

9.4 The table below shows that if the AWM grant is accepted that the overall cost to the Council of the purchase of the Whitefriars land assembly element of the project is between £375K and £575K depending on the amount of land required by the City College.

	College requires 4 acres £000	College requires 5 acres £000
Cost of purchasing Whitefriars land	3,150	3,150
Total Gross AWM grant	(3,150)	£3,150)
Clawback of grant	1,575	1,575
Total Net AWM grant	(1,575)	(1,575)
Receipt from College	(1,000)	(1,250)
Total amount of this element of the project to be funded by Council	575	325
Other elements of the Learning Quarter Projects		
Land purchase (private)	2,500	
Reprovision of Children's playcentre	150	
Car park	5000	
Total bid to the PPR	8,225	

9.5 The estimated full costs of the Learning Quarter project are set out in more detail in **Appendix 3.**

9.6 **Cabinet should note that a potentially large VAT problem relating to this deal has just been identified. Officers are urgently investigating possible solutions and options, and will therefore report verbally at your meeting today.**

10. Deal with Whitefriars Housing Group

10.1 Terms have been provisionally agreed with Whitefriars as follows:

- **Site to be acquired**
Areas shown edged black` on the attached plan (approx 6.3 acres)
- **Interest to be acquired**
Freehold, with vacant possession (Subject to demolition situation detailed in section 11.3 and electric sub-station lease to be passed on the City College)
- **Purchase Price**
£3.15m (based on the residential Value of £500k/acre)
- **Stamp Duty**
Not payable in this situation as the area qualifies for relief.
- **Condition of site**
All tower blocks to be cleared to slab level.
- **Costs**
Each party to bear its own.

11. Legal Implications

- 11.1 The details of the AWM agreement (at the time of writing this report) have yet to be fully clarified. However, from previous experience of such agreements it is clear that the Council will be required to underwrite a range of the intended Outputs of the planned Learning Quarter. This is before they are properly known. The Council will have to rely on the new college Outputs being quoted by City College. It is not known at present whether AWM will want to secure the grant funding by placing a charge on the site. This will be resisted by the Council because it may adversely affect the funding by City College.
- 11.2 It is recommended therefore that you authorise the Director of Legal and Democratic Services (in consultation with the Directors of City Development, and Finance & ICT) to complete the necessary agreements and land purchase, subject to him being happy that the detailed terms are not onerous and of a nature that would require a report back to you. If this happens we will of course be out of time. This is a pragmatic situation we find ourselves in.
- 11.3 Whitefriars will not have completed the demolition of two tower blocks by 31 March. Consequently, the Council will permit them to occupy the two sites for this purpose (subject to their full liability) by way of licences, until these works are satisfactorily completed.

12. Property Implications

If approved and successfully completed, the site will be held and managed for the Council by City Development's Portfolio Management office, who have sufficient resources for this purpose.

13. Area Co-ordination

The local community have been, and will be, very actively involved in the emerging details of the Learning Quarter. For example the Swanswell Community Liaison Group has recently

been consulted on a number of occasions (in detail) on the emerging College designs personally by the Principal and his design team.

14. Equal Opportunities

All dimensions of Equal Opportunities have been key drivers in the Swanswell Initiative, and the specific aims of the new flagship Learning Quarter we are trying to deliver.

15. Children and Young People

The new college (and hoped for new school) that will be developed on the site concerned are to radically improve education facilities for this group. This deal will secure the land needed.

16. Coventry Community Plan

The Swanswell Initiative makes a major contribution to the Coventry Community Plan 2

17. Crime and Disorder

The designs of the new complex are geared to design out crime, and create a safer environment for young people whilst in education.

18. Risk Management


This project is being overseen by the new Project Champion position detailed, created and funded by the previous Cabinet Report.

19. Sustainable Development

Sustainability through design, materials and management of the new complex is not only a fundamental requirement of their design team, but a requirement of the Learning Skills Council base funding now provisionally secured by City College.

List of background papers

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Papers open to Public Inspection

Description of paper

Report to Cabinet on 17 August 2004

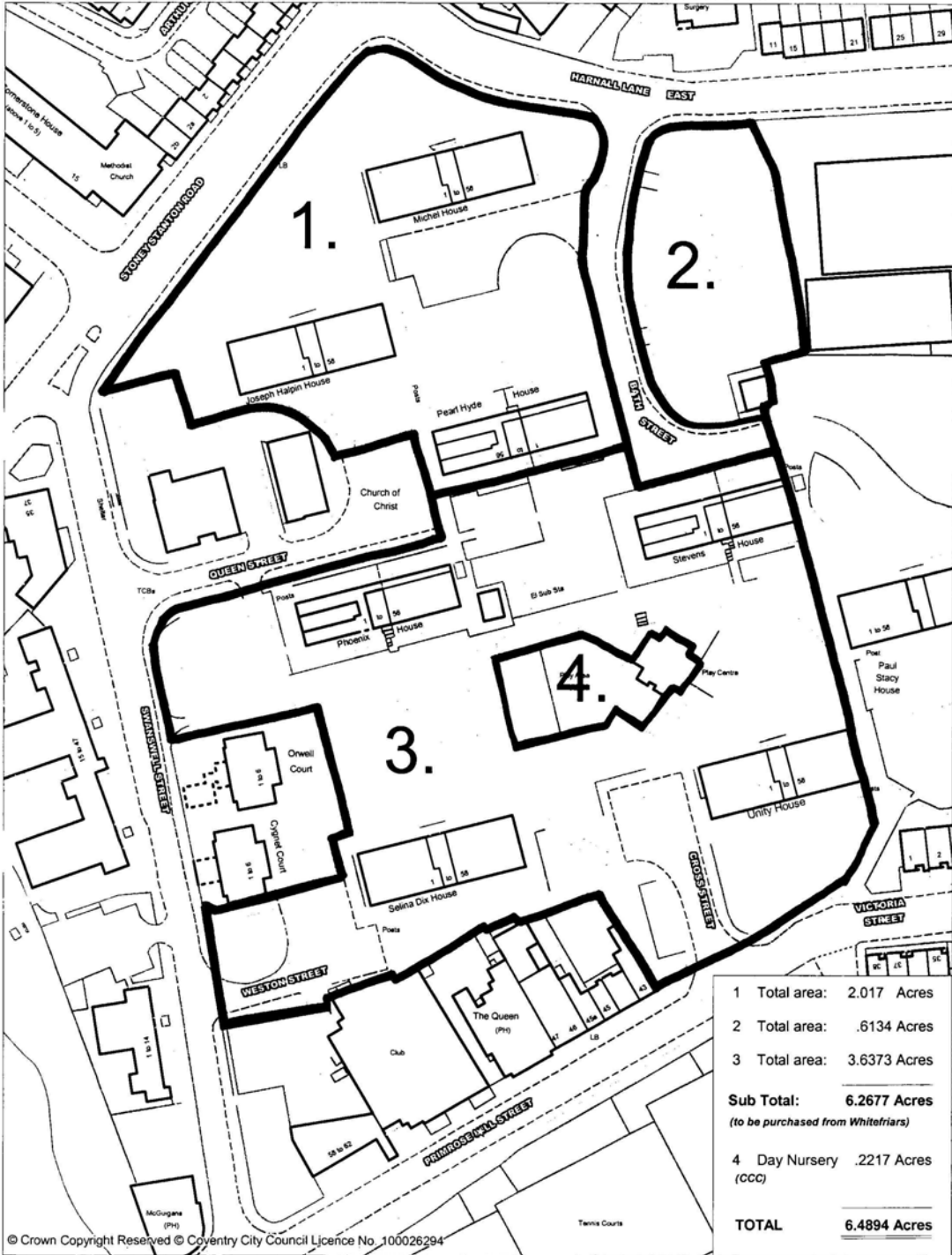
Location

Legal and Democratic Services (Cabinet Team)

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APPENDIX I

SWANSWELL INITIATIVE - LEARNING QUARTER LAND ASSEMBLY



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Project Champions Office

Plan Production Date: 04/11/2004

Scale: 1:1250

APPENDIX 2

Clarification of issues raised in previous private report to Cabinet on 17 August 2004:

1. *Clarification of legal relationship between Coventry City Council and Whitefriars regarding capital receipts. This will clarify the implications of Whitefriars demolition costs.*

Whitefriars have clarified that the total costs of demolitions of the tower blocks and the associated costs to affected tenants have been £4.171m. These costs exceed the capital receipt they will receive for the site. Consequently it is felt that by not insisting on claw-back (as it is legally able to do) the Council would not be acting reasonably, if we opt for claw back this would probably result in Whitefriars aborting the deal to consider other options for the land.

2. *Clarification of land values.*

The Council has obtained independent valuations from the District Valuer which have endorsed the Housing and Education land values quoted in this report.

3. *Clarification of the City College's Business Plan.*

Officers have scrutinised the plan and are happy that the college (and the rules imposed on it by its external funding sources) are only able to purchase the land directly from Whitefriars at the lower Education Value.

4. *Clarification of the wider benefits to the City, in relation to the possibilities of a Personal Development Centre.*

Such a centre no longer forms part of this project.

5. *Clarification of the benefits of the replacement Partnership Centre that will be included in the College Phase 1 development.*

This centre, for the time being, no longer forms part of this development.

6. *Clarification of land design, proximity, permeability, connectivity between the school and the college and consider whether to extend the college footprint.*

The emerging designs for the new college have been amended and improved to reflect this key issue. Their designers have also made features of the scheme's permeability in response to local community feedback. It is anticipated the College will submit an outline planning application in April for the whole of their new building, and a detailed application for a Phase 1 at the same time.

7. *Investigate LSC funding and its capacity to provide transitional funding to support the deal*

The AWM offer makes this redundant.

8. *Discuss with AWM the possibility of their involvement through the Regeneration Zone.*

This now forms the basis of the AWM offer detailed in this report

9. *Clarification of vires and process issues for the Council and other parties*

This is not relevant to this land acquisition proposal . The issue relates to the selling on of land to City College, which will be covered in a report back to Cabinet on that subject, in due course.

APPENDIX 3

					Appendix 3
Capital Costs of Swanswell Learning Quarter					
	2004/05	2005/06	2006/07	2007/08	Total
	£000	£000	£000	£000	£000
Land assembly					
Land purchase Whitefriars (6.3 acres @ £500K per acre)	3,150				3,150
Land purchase Private (poss CPOs)		2,500			2,500
Other project costs					
Car park			5,000		5,000
Reprovision of Children's Play Centre		150			150
Other costs					
Total project costs	3,150	2,650	5,000	0	10,800
Clawback of grant by AWM					
Clawback of receipt from City College		1,000			
Clawback of "internal receipt" for use of land for school		575			
Total Cost	3,150	4,225	5,000	0	12,375
Financed by					
Receipt from City College		1,000			1,000
AWM grant to fund land purchase	3,150				3,150
Total resources	3,150	1,000	0	0	4,150
Requested from PPR	0	3,225	5,000	0	8,225
N.B. The above figures are based on the assumption that the College will require 4 acres. If the College require 5 acres, there will be an increase in the capital receipt of £250K in 2004/05, and a subsequent reduction on the call on the PPR.					