

A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

**Cabinet
Council**

**5 July 2016
12 July 2016**

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration – Cllr J O’Boyle

Director Approving Submission of the report:

Executive Director of Place

Ward(s) affected:

Cheylesmore

Title: Development of Whitley South

Is this a key decision?

Yes – the proposals within the report involve financial implications in excess of £1m

Executive Summary:

Whitley South is the site of a proposed Research & Development campus situated on land to the south of the A45 and to the north of Coventry Airport. Warwick District Council (“Warwick DC”) and Coventry City Council (“the Council”) have resolved to grant planning consent for this scheme and the Secretary of State has agreed not to call in the application allowing it to be determined locally. The scheme is predominantly on land in Warwick DC’s administrative area.

The site was previously part of the former Coventry & Warwickshire Gateway scheme and, as such, is subject to an option in favour of the Coventry & Warwickshire Development Partnership LLP.

The Council is the freehold owner of land south of the A45, which borders Coventry Airport. The existing option provides that, on satisfaction of certain conditions, the land comprised in both phases will be let by the Council to the LLP by way of a long term 999 year lease and subject to payment of a premium. It is proposed that this option is varied to provide that the land will be let in two phases at a fixed price for each. The Council understands that it has been agreed in

principle that Jaguar Land Rover ("JLR") will, simultaneously with the grant of the long lease of phase 1 to the LLP, acquire 29 acres from the LLP for expansion of their existing operation.

The Council is close to securing external funding to help to facilitate the provision of public infrastructure to enable the development of Whitley South. This scheme is critical to the current expansion plans of JLR and will also accommodate a number of small medium enterprises, JLR's local supply chain together with a hotel and car show room.

Accordingly, it is proposed that the Council agree to procure the infrastructure required to deliver the development and approve the terms under which the LLP are granted a long leasehold interest in the site.

Recommendations:

Cabinet is requested to recommend that the Council:

- (1) Approve that the Council procure the construction of the infrastructure at Whitley South in accordance with the terms contained in the private report.
- (2) Approve that the Council enters into an agreement (the "**Infrastructure Investment Agreement**") whereby it will agree that the LLP will procure (as agent of the Council) delivery of the infrastructure work up to the total value of the external funding secured.
- (3) Delegate authority to the Executive Director of Place and Executive Director of Resources to vary the Sale & Infrastructure Agreement between the Council and the LLP dated 2 December 2014 to enable the delivery of Whitley South and to extend the existing Sale & Infrastructure Agreement for such period as is necessary to secure the Council's position with regard to the Gateway scheme.
- (4) Delegate authority to the Executive Director of Place and Executive Director of Resources, to make modifications (if necessary) to the Infrastructure Investment Agreement between the Council and the LLP which takes into consideration all legal and financial implications.
- (5) Delegate authority to the Executive Director of Place and Executive Director of Resources, in consultation with the Cabinet Member for Jobs and Regeneration to serve all necessary notices on the existing tenants of the subject land so as to gain vacant possession of the land in order to allow the proposals contained in this report to proceed.
- (6) Approve the inclusion of the external funding once secured on the Council's approved Capital Programme, delegating authority to the Executive Director of Resources to reflect as appropriate once the spend profile is known.

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- (4) Delegate authority to the Executive Director of Place and Executive Director of Resources, to make modifications (if necessary) to the Infrastructure Investment Agreement between the Council and the LLP which takes into consideration all legal and financial implications.
- (5) Delegate authority to the Executive Director of Place and Executive Director of Resources, in consultation with the Cabinet Member for Jobs and Regeneration to serve all necessary notices on the existing tenants of the subject land so as to gain vacant possession of the land in order to allow the proposals contained in this report to proceed.
- (6) Approve the inclusion of the external funding once secured on the Council's approved Capital Programme, delegating authority to the Executive Director of Resources to reflect as appropriate once the spend profile is known.

List of Appendices included:

Appendix A – Previous Gateway proposal

Appendix B – Whitley South proposal

Background papers:

None

Other useful Documents

Report to Council entitled "Coventry & Warwickshire Gateway" 23 October 2012.

<http://democraticservices.coventry.gov.uk/ieListDocuments.aspx?CId=130&MId=9254&Ver=4>

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes, 12 July 2016

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Report title: Development of Whitley South

1. Context (or Background)

- 1.1 In December 2014 the Council entered into a Development Agreement with the Coventry & Warwickshire Development Partnership LLP (“the LLP”) to facilitate the delivery of the Coventry & Warwickshire Gateway scheme. This proposal is illustrated in Appendix A.
- 1.2 The Coventry & Warwickshire Gateway scheme proposed the creation of approximately 4,500,000 square feet of office & warehousing space on land to the North & South of Coventry Airport.
- 1.3 Whilst both the Council and Warwick DC resolved to grant planning consent, the scheme was called in by the Secretary of State for Communities & Local Government who determined that planning consent should not be granted at that time and should be determined through the local plan process.
- 1.4 Warwick DC has subsequently proposed that the Gateway scheme is adopted through their local plan process. This will be re-considered by the Secretary of State Department for Communities and Local Government (“DCLG”) through a Public Inquiry towards the end of 2016.
- 1.5 JLR has an urgent requirement to expand their existing Whitley global headquarters and engine development facility. An inability to expand at Whitley increases the likelihood that JLR would leave Coventry and invest elsewhere, which may not necessarily be in the UK.
- 1.6 In order to try and ensure JLR’s headquarters remains in Coventry the Council, working in partnership with Coventry & Warwickshire LEP and Warwick DC promoted Whitley South to the company. Whitley South forms a small part, approximately 20% of the former Gateway proposal sitting on Council owned land to the north of Coventry Airport.
- 1.7 JLR could see the potential of the land and currently propose to occupy approximately half of Whitley South as a campus for engineers employed to support engine and gearbox development. A number of their suppliers also wish to relocate to Whitley South to support JLR’s Research and Development activities. JLR also wish to see a prestige dealership on the site to showcase their products and a hotel to accommodate the growing number of foreign visitors to their global headquarters which is also located at Whitley.
- 1.8 The proposals for Whitley South are illustrated in Appendix B.
- 1.9 In April 2016 both the Council’s and Warwick DC’s planning committees resolved unanimously to grant planning consent for Whitley South. The site has subsequently been referred to the Secretary of State DCLG for determination as it is within the greenbelt. The Secretary of State has determined not to call the proposal in, thereby endorsing the approval granted by both Warwick DC’s and the Council’s planning committees.
- 1.10 As the land upon which Whitley South sits is subject to a legal option to the LLP pursuant to the existing Sale and Infrastructure Agreement their support to the Whitley South development proposals was sought and received.
- 1.11 The Council is seeking external funding to deliver the infrastructure required to support Whitley South. This funding will deliver both the proposed A45 bridge and local road improvements - delivering significant public benefits via road improvements to alleviate

congestion on the A45 Festival island, Siskin Drive, A46 Stoneleigh Island and the A444 Whitley junction. These improvements deliver significant benefits beyond Whitley South.

- 1.12 Under the existing Sale and Infrastructure Agreement the LLP is required to draw down the whole of the Council owned land in one phase. This was because the Sale and Infrastructure Agreement envisaged that the Gateway development would be delivered as a single entity, however as elements of the Whitley South overall scheme will be delivered in advance of the Gateway scheme. It is proposed to vary the Sale and Infrastructure Agreement in order to phase the payments to reflect the phased nature of the development. The payment schedule is considered in your private report.
- 1.13 Under the Sale and Infrastructure Agreement, the LLP was required to pay a minimum sum to the Council for the land with an additional payment to be made dependant on various remediation costs over which the LLP had little control. The proposed variation is set out in your private report.
- 1.14 The Sale and Infrastructure Agreement is subject to a drop dead date of 31 December 2017. In order to ensure that the Sale and Infrastructure Agreement remains in place to for sufficient time for the Gateway proposals to clear the planning process it is proposed to extend this drop dead date by up to five years.
- 1.15 The payments proposed and set out above are currently in the process of being verified by Independent Chartered surveyors, GVA, as representing best consideration as required under S123 of the Local Government Act 1972.

2. Options considered and recommended proposal

- 2.1 It is also clear that as JLR are expanding they are making investments far beyond the sub-region of Coventry. In recent years they have invested in facilities in Brazil, Slovakia and India. In order to secure the on-going presence of JLR in the sub-region it is considered imperative that the Council seek to support JLR expanding their Powertrain activities at Whitley South.
- 2.2 A number of site options were put to JLR however all were rejected in favour of Whitley South as it offered JLR the ability to expand their existing Whitley facility whilst keeping the displaced engineers immediately adjacent to the site.
- 2.3 It was against this backdrop that the Whitley South plan was proposed and adopted as the only option. By not supporting JLR at this time it is perfectly conceivable that JLR would have looked beyond the city and region and may have chosen to make their investment either outside the area or possibly outside the UK altogether.
- 2.4 On the basis that the contents of this report are approved the LLP will be entering into back to back contracts with JLR so as to ensure JLR will take up space at Whitley South. Dovetailing those contracts is an important factor in securing the future success of Whitley South and the wider Gateway site.
- 2.5 By offering JLR the opportunity to expand the existing Whitley facility by expanding into Whitley South it is believed that JLR will be committing investment of approximately £500m to the area and securing their future in the Coventry region for the foreseeable future.

3. Results of consultation undertaken

- 3.1 The Whitley South proposals have been the subject of an outline planning application submitted to both the Council and Warwick DC. As part of the process a public consultation was carried out.

4. How is risk being managed?

- 4.1 The Council intends to dispose of the land to the LLP and simultaneously instruct the LLP to undertake the infrastructure works as agent of and on behalf of the Council. The Council is working with the LLP on how best to structure this transaction, with particular focus on ensuring compliance with the EU state aid and public procurement rules. The Council wishes to avoid entering into any transaction which could expose it to an unacceptably high risk of breach of state aid or procurement legislation.
- 4.2 The Council has mitigated against these risks and have sought advice from Counsel and Financial Advisors who have endorsed the approach adopted.
- 4.3 The Council will incorporate relevant provisions within draft agreements to minimise the risk and exposure to the Council.

5. Timetable for implementing this decision

- 5.1 JLR wish to take first occupation of Whitley South by 2018 which will help to determine the timetable.

6. Comments from the Executive Director of Resources

6.1 Financial implications

- 6.1.1 The Council is close to securing external funding to build new infrastructure at Whitley South. It is proposed that, subject to state aid compliance, the monies are passported to C&W Development Partnership LLP to procure and deliver the infrastructure on behalf of the Council.
- 6.1.2 The revised legal agreements as proposed would generate potential capital receipts and investment returns for the Council.

6.2 Legal implications

6.2.1 Grant and investment powers

- 6.2.2 There are various statutory powers available to the Council when considering to make a grant and/or investment, they are:

- The Council has a specific power to invest under Section 12 of the Local Government Act 2003; and
- The Council also has a general power to make investments/and or a grant under the powers of general competence contained in Section 1 of the Localism Act 2011.

7. Other implications

7.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

7.1.1 If implemented these proposals should help to secure high quality jobs for the people of Coventry, together with the provision of much needed employment land and infrastructure improvements.

7.2 What is the impact on the organisation?

7.2.1 To ensure successful delivery of this project and the Council's ability to provide additional staff resources as may be required. Some staff are already in place for the existing externally funded projects. Any new staff will be recruited on temporary fixed term basis in line with the Council's current recruitment processes.

7.3 Equalities / EIA

7.3.1 An equalities and consultation analysis is not considered necessary for this paper.

7.4 Implications for (or impact on) the environment

7.4.1 The project will have an impact on the environment.

7.5 Implications for partner organisations?

7.5.1 No direct implications.

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