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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

23 February 2021  
23 February 2021

**Name of Cabinet Member:**

Cabinet Member for Housing and Communities – Councillor D Welsh  
Cabinet Member for Jobs and Regeneration - Councillor J O'Boyle

**Director(s) Approving Submission of the report:**

Director of Business, Investment and Culture

**Ward(s) affected:**

St. Michael's

**Title:**

Property Acquisition and Acceptance of Grant

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**Is this a key decision?**

Yes - the proposals involve financial implications in excess of £1m per annum

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**Executive Summary:**

This report is seeking approval for the acquisition of the IKEA premises and adjoining land and property at Croft Road, Coventry (the Premises) for the purpose of creating a nationally significant Collections Centre for the storage, care and management of cultural, arts and historical artefacts. The report is further seeking acceptance of capital grant towards the 'New Collections Centre' project, along with the design and professional fees that will be required to take the scheme through detailed design and tendering.

The IKEA premises closed for business in March 2020 and the long leasehold interest is available for purchase. The purchase price, plus fees and taxes, are set out in the Private section of this Report. The Council already owns the freehold of the site. The Council has been working with Arts Council England, the British Council, Culture Coventry Trust and more latterly, Coventry University, to explore options for converting the building to a new shared national Collections Centre facility, along with associated education, skills and learning facilities to provide opportunities for much greater public access and engagement with these extensive and important collections. The modelling of the options within the building has arrived at a 'base' option which has proved to be technically deliverable and financially viable, with the capital expenditure, fees and costs of capital financing being serviced through the rent received over the length of the leases, subject to agreeing terms with the partners.

However, there is ongoing feasibility work to explore the deliverability of more expansive options, such that this report is seeking only to acquire the Premises and obtain further fees for detailed development, on the basis that a further report will be brought before Cabinet and Council once further feasibility has been undertaken as to these more expansive options.

Having arrived at a base option that is technically deliverable and financially achievable, the timing to acquire the Premises is being driven by the small window of availability to secure proposed capital grant funding towards the acquisition, the details of which are set out in the Private section of this Report.

### **Recommendations:**

Cabinet is recommended to:

- 1) Approve the acquisition of the leasehold interest of the site shown edged red in Appendix 1.
- 2) Approve additional professional design fees of £1.311m to develop the detailed option designs to RIBA Stage 3 and Stage 4 (contractor procurement through a compliant process), subject also to finalising commitment of the partners (through a Partnership Agreement) to the underwriting of these fees should the project not proceed.
- 3) Delegate authority to the Director of Property Services and Development and the Director of Business, Investment and Culture, following consultation with the Director of Law and Governance and the Director of Housing and Transformation, to commence the necessary procurement for the appointment of the professional design team including any necessary contract extensions.
- 4) Delegate authority to the Director of Property Services and Development and to the Director of Business, Investment and Culture, following consultation with the Director of Finance, the Director of Law and Governance, the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Housing and Communities, to undertake the necessary due diligence and finalise the terms of the leasehold transaction and acquisition between the Council and IKEA Properties Investments Limited.
- 5) Note that the principal partners, subject to their own due diligence processes and final approvals on terms delegated to their respective Chief Executives or identified representatives, have approved the principle of entering into Agreements for Lease with the Council as tenants within the New Collections Centre.
- 6) Delegate authority to the Director of Property Services and Development and the Director of Business, Investment and Culture, following consultation with the Director of Finance, the Director of Law and Governance, the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Housing and Communities, to finalise the necessary negotiations and any due diligence associated with the Heads of Terms for each of the partners and the entry into the new Agreements for Lease arrangements between the parties.

Cabinet is requested to recommend that Council:

- 7) Approve capital expenditure in the sum specified in the Private section of this Report for the purchase (plus acquisition fees and Stamp Duty Land Tax) cost to fund the acquisition of the leasehold interest of the site shown edged red in Appendix 1 to the report, and to include this within the approved capital programme which shall be funded from a combination of capital grant and prudential borrowing.

- 8) Delegate authority to the Director of Business Investment and Culture and the Director of Finance, following consultation with the Cabinet Member for Strategic Finance and Resources, the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Housing and Communities, to identify and bid for grant assistance, where available, that supports the aims of the Collections Centre Project. The delegated authority given under this recommendation shall include the power to accept the terms and conditions of grant funding and the entering into all necessary legal agreements to secure such grant funding.

Council is recommended to:

- 1) Approve capital expenditure in the sum specified in the Private section of this Report for the purchase (plus acquisition fees and Stamp Duty Land tax) cost to fund the acquisition of the leasehold interest of the site shown edged red in Appendix 1, and to include this within the approved capital programme funded from a combination of capital grant and prudential borrowing.
- 2) Delegate authority to the Director of Business Investment and Culture and the Director of Finance, following consultation with the Cabinet Member for Strategic Finance and Resources, the Cabinet Member for Jobs and Regeneration and the Cabinet Member for Housing and Communities, to identify and bid for grant assistance, where available, that supports the aims of the Collections Centre Project. The delegated authority given under this recommendation shall include the power to accept the terms and conditions of grant funding and the entering into all necessary legal agreements to secure such grant funding.

**List of Appendices included:**

Appendix 1. Site Plan  
Appendix 2. RIBA Stage 3 & 4 Professional Fees Cost Plan

**Background papers:**

None

**Other useful documents:**

None

**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 – 23 February 2021

## Title: Property Acquisition and Acceptance of Grant

### 1. Context (or background)

- 1.1. On 4 February 2020, IKEA announced that it was proposing to close its Coventry store. Due to the circumstances of COVID-19 resulting in a national lockdown from 22<sup>nd</sup> March 2020, the store was closed permanently from this date.
- 1.2. The announced closure of the IKEA store coincided with detailed discussions that were ongoing between the City Council, Arts Council England, the British Council and Culture Coventry Trust, in consultation with Coventry University and the Coventry City of Culture Trust, as to the feasibility of developing a partnership 'Collections Centre' of national significance, on an alternative city centre location in Coventry.
- 1.3. Arts Council England is an executive non-departmental public body, sponsored by the Department for Digital, Culture, Media and Sport. Their collection of circa 8,000 works is the most widely circulated national loan collection of modern and contemporary British Art. The Collection reaches the broadest possible audience through long loans to public institutions, exhibitions loans and, touring exhibitions, as well as digital and print publications. It also includes important and early works by the most important artists working in the UK over the last 70 years.
- 1.4. Arts Council England has invested over £2m a year into National Portfolio Organisations in Coventry, helping to support and grow the City's cultural offer. They are also a principal partner for UK City of Culture 2021, having committed more than £5m of National Lottery funding to support Coventry, along with a further £8.51m of capital grant to strengthen the city's cultural infrastructure and ensure city readiness for 2021.
- 1.5. The British Council specialises in international cultural and educational opportunities. Their Collection exists to support this mission, by promoting closer ties between Britain and other countries, using Britain's key cultural assets – art, education and the English language. The Collection, comprising over 8,500 works, is exhibited in over 100 countries.
- 1.6. The British Council are also a key partner for Coventry, having made a five-year commitment to the city in supporting its international aspirations, working in close partnership with the Coventry City of Culture Trust.
- 1.7. Culture Coventry Trust is an independent charitable Trust caring for and managing the city's art, cultural and archive collections and much of the city's cultural offer through the management of Coventry Transport Museum, the Herbert Art Gallery and Museum and The Lunt Roman Fort. The Trust also has a leasehold interest in the Old Grammar School.
- 1.8. Culture Coventry Trust is therefore the custodian of the city's collections, including its extensive transport collection, which is a Designated Collection of national importance along with a significant human history, social and archaeological collection, which is currently being stored within Whitefriars Monastery. The Trust also manages the city's archive, which is principally located within the Herbert Art Gallery and Museum.
- 1.9. All three partners have identified timescales within which to resolve their respective collections management arrangements for the longer term.
- 1.10. The collaboration between the City Council and these three partner organisations has identified and closely examined the opportunity to repurpose the existing iconic building of the former IKEA premises within the city centre, as opposed to creating a new purpose-built facility on an alternative city centre site.

- 1.11. The IKEA property was originally constructed in 2007 and comprises circa 53,904 sqm of space, to include three floors of ventilated car parking and four floors of internal accommodation, with a double height space on floor 3; a mezzanine office space on level four; and open plan floor spaces on levels five and six.
- 1.12. The Council is the freeholder of the site and a long leasehold was granted to IKEA Properties Investments Limited in January 2008 for a term of 988 years. The Premises includes the Town Crier public house, the lease arrangements for which are set out in the Private section of this Report.
- 1.13. The Premises is now available to purchase for the sum which is specified in the Private section of this Report. In acquiring this interest, the Council needs to make sure it is meeting its fiduciary responsibilities regarding the use of public funds. Notwithstanding that, the purchase price has been agreed following negotiation and reflects the position of a willing seller and a willing purchaser (to enable the delivery of the range of benefits set out in Section 2 of this report). Further details of the purchase costs are set out in the Private section of this Report). To inform the Council's position and its understanding of risk regarding the acquisition of the Premises, the Council also employed the services of external property consultants, Savills, to review both the potential income that could be obtained if the building were to be let to commercial tenants and what the potential site value could be.
- 1.14. The key financial conclusions of the Savills report, including the potential residential value for a cleared site, are outlined within the Private Report, along with current estimates as to the demolition costs associated with clearing the site.
- 1.15. It should be noted that, as the freehold owner of the site, the Council has the benefit of a user covenant in the lease of the IKEA property which, for the next 12 years, restricts the use of the IKEA property for the purpose of an IKEA retail store with ancillary uses of a restaurant and supervised children's play facility or for any other use falling within the following Use Classes:
  - A1 (Shops) – excluding sandwich bars and dry cleaners
  - B1(Business) and
  - D2 (Assembly and Leisure) - excluding swimming baths, skating rinks, gymnasiums or area for indoor or outdoor sports and recreations, not involving motorised vehicles or firearms.

Any proposed uses of the site outside of these permitted uses would require the consent of the Council as landowner.

## **2. Options and Recommended Proposal**

- 2.1. Option 1: To agree to the acquisition of the IKEA premises including the acceptance of a proposed capital grant; and agree to funding the Stage 3 and 4 detailed design phases of the building conversion options (**Recommended**)
- 2.1.1. A newly converted national Collections Centre would bring together two of the foremost national arts and cultural partners (with their respective national collections) alongside Culture Coventry Trust and the city's collections, to create a consolidated national base for the storage, collation, care, logistics management and national/international loaning functions of these partners into the geographically central location of Coventry.

- 2.1.2. Currently, the two national partners have collection and loans functions being serviced from three disparate locations around the country, whilst Culture Coventry manage collections from two city sites (a rented industrial unit in the north east of the city (in the case of the vehicle collection) and from within the Whitefriars Monastery building (in the case of the human, social history and archaeological collections).
- 2.1.3. There is a need to relocate both of these city collections to achieve more suitable storage conditions and on the basis that, in the case of Whitefriars Monastery, there are plans within the Council's Heritage Framework Agreement with Historic Coventry Trust to return Whitefriars Monastery to its glory as an accessible, historic site of local and national significance.
- 2.1.4. The new Collections Centre proposals would not only bring national and international collections and loaning functions to the city of Coventry, but would also serve to consolidate and resolve the challenges of collections management of the city's own vehicle and social history collections into one site, thereby benefiting from the significant expertise and experience of working alongside national collections management teams.
- 2.1.5. Both of the national partners have expressed a desire to have more 'public access' to their extensive collections, such that a partnership with Culture Coventry to have dedicated gallery space within the Herbert Art Gallery and Museum (HAGM), working in partnership with the Culture Coventry Trust curatorial teams, would serve not only to fulfil this ambition for the partners, but also to redefine the identity and visitor offer of HAGM on a local, regional, national and international stage.
- 2.1.6. Since the inception of the partnership with the three principal partners, the Council has also entered into discussions with Coventry University, following their expressed interest in developing associated cultural, educational and professional learning opportunities.
- 2.1.7. Coventry University has an ambitious Faculty of Arts and Humanities (the oldest part of the University) with over 4,000 students, as well as a research centre dedicated to Arts, Memory and Communities. Whilst the discussions with Coventry University are not as progressed to the same extent as with the other partners, their current interest emanates from the potential to use the critical presence of national partners to unlock future job creation and skills development in heritage and collections management and associated areas.
- 2.1.8. The City Council has explored the overall project feasibility and the suitability of the building for acquisition and conversion to the technical requirements and specifications of the partners, through Acquisition and Assurance surveying – both of which have been undertaken by professional teams to include architectural, mechanical and electrical, structural, fire, lift, sector specific and cost consultancy expertise.
- 2.1.9. The principal partners worked with the Council to either fund or underwrite (if the project should be aborted) the professional costs of undertaking Acquisition and Assurance surveys to assess the suitability of the building for purchase and conversion into a national Collections Centre.
- 2.1.10. The extensive Acquisition Surveys and Report explored and reported upon the fundamental condition and suitability of the building for acquisition, regardless of the intended purpose.
- 2.1.11. The extensive Assurance Surveys and Report also explored and reported upon the suitability of the building for conversion into the intended purposes (subject to Planning) as a Collections Centre, aligning the technical requirements and specifications of the respective partners for their intended use and considering the capital cost implications of a number of options.

- 2.1.12. Both of these consolidated Reports confirmed the fundamental suitability of the building for acquisition and provided the necessary assurance as to its suitability for conversion into its proposed uses as a Collections Centre along with associated educational facilities.
- 2.1.13. The significant funding commitment of the national partners to these project works to date has been objectively complemented by their respective commitments to Coventry as their preferred location, both organisations having been through extensive location searches and engaged in initial feasibility studies/discussions in relation to numerous alternative sites within the UK.
- 2.1.14. The current extent of the partner commitments is such that:
- a) **Arts Council England:** Has identified Coventry as its preferred location with which to negotiate development of a shared Collections Centre facility to include provision for the national Arts Council Collection. Arts Council England has further made commitments to support the project, and set out its required further governance arrangements, details of which are as set out in the Private section of this Report.
  - b) **The British Council:** Has confirmed that Coventry is the British Council's preferred location for development work to establish a shared Collection Centre facility in which to house and manage both local and national heritage collections, to include those of the British Council. The British Council has further confirmed that, of the sites considered within the feasibility studies undertaken in Coventry, the Coventry IKEA building on Croft Road is considered the British Council's preferred option, subject to its required governance arrangements, details of which are as set out in the Private section of this Report.
  - c) **Culture Coventry Trust:** The Board of Trustees are excited by the principle of this project and have approved necessary delegations to explore the respective options being considered and to negotiate the terms of an Agreement for Lease, in line with their required governance arrangements.
  - d) **Coventry University:** The University has approved the necessary arrangements to enter negotiations with Coventry City Council, with a view to agreeing Heads of Terms.
- 2.1.15. The Heads of Terms for the respective leases are currently in circulation between the Council and the partners, with a view to these being worked into contractually binding Agreements for Leases during Spring – Summer 2021. Therefore, notwithstanding the positivity of the discussions between the parties and the “in principle” decisions taken by the partners (as reference in paragraph 2.1.14 above and detailed in the Private section of this Report), it is important to note that final terms for future leases are not formally agreed as yet by the parties and therefore this constitutes a risk to the Council, albeit such risk is considered to be low.
- 2.1.16. Detailed considerations concerning the negotiation of the Heads of Terms and Agreements for Lease, including risks and mitigations arising from the current stage of negotiations, are also set out within the Private Report.
- 2.1.17. As well as providing a permanent and purpose-built facility within which hugely significant national collections could be cared for and logistically managed, the proposals also provide an opportunity to convert an otherwise large, iconic and vacant building into a nationally significant and economically active asset for the city.

- 2.1.18. From the numerous development options being considered, there is a 'base' option that accommodates Culture Coventry Trust's human, social history, archaeological and vehicle collections and the national partner collections.
- 2.1.19. The conversion and refurbishment cost of this 'base' option has been professionally surveyed and includes construction costs including preliminaries; professional fees; and client contingency/risk. Furthermore, the Heads of Terms with the partners provides the City Council with the facility to abort the project should the procurement compliant exercise to secure a contractor provide quotations that exceed the defined threshold price outlined in the Private section of this Report.
- 2.1.20. The combined cost of the acquisition and the conversion works for the base option, to include capital works, taxes, fees and capital financing would be recovered over the course of a long-term financing model, through a combination of capital grants and the annual rent paid by partners (subject to the partners agreeing leases with the Council subsequent to the acquisition).
- 2.1.21. Notwithstanding the above, there is ongoing work to explore various more expansive options, details of which are referenced further in the Private section of this Report. These options continue to need more detailed consideration and feasibility work.
- 2.1.22. The design and cost of all the options are currently at RIBA Stage 2. The final cost of the capital conversion works will only be known once the RIBA Stage 3 and 4 designs are tendered to the market, which is anticipated to be in approximately 12 months' time.
- 2.1.23. It is therefore proposed that the continuing exploration of the options should proceed to Stage 3 and 4 design phases, which the professional design team believe can happen without causing delay to the project programme if the options appraisal is completed within the Stage 3 design phase.
- 2.1.24. It is further proposed that, once the exploration and feasibility of the more expansive options has been undertaken, then a further Cabinet and Council Report will be produced seeking approval of the preferred option, capital funding and relevant procurement options, supported by an updated position on the Agreements for Lease with partners having been finalised, to offset the associated debt servicing costs.
- 2.1.25. Furthermore, the timing of the acquisition being separated from the finalised capital recommendations is driven by two further considerations:
  - a) The property is currently available to the open market and is being actively marketed by IKEA Properties Investments Limited;
  - b) There is currently the prospect of securing a capital grant towards the acquisition of the Premises. The grant must be committed by the funder and accepted by the Council by the end of March 2021 and would be repayable in part or full if the project were to not proceed into the development phase. Details regarding the prospect of such grant are outlined in the Private section of this Report.
- 2.1.26. The key benefits of agreeing to progress with the proposals for the acquisition of the Premises reside both within the immediate benefits and those that are more likely to be realised if the project proceeds into the second stage of development as a National Collections Centre. These benefits are:

*Upon Acquisition:*

- a) Secures the potential future of the building and prevents the possibility of a large, iconic and vacant building in the city centre;
- b) Prevents, at this stage, the potential for the building being brought forward for a use contrary to the Council's regeneration ambitions;
- c) Demonstrates creative and innovative ambition on the part of the Council in repurposing a vacant city centre asset;

*Upon Future Development:*

- d) Securing the long-term partnership and presence in Coventry of two of the country's leading cultural and arts bodies along with their loan collections;
  - e) Securing the collections future for the city's own collections into more bespoke and suitable collections environments;
  - f) Providing opportunities for local, regional, national and international visitors to experience the wider vehicle collection not on display in Coventry Transport Museum, which is not currently possible whilst this wider collection is stored in an industrial unit in the north east of the city;
  - g) Growing the cultural offer within the city through the exhibiting collaboration between the national partners and the Herbert Art Gallery and Museum, which could become a 'home exhibition' space for the collections within the UK;
  - h) Providing educational and professional development opportunities within the cultural and creative industries, through collaboration with Coventry University;
  - i) Releasing the Whitefriars Monastery property in order to be restored into becoming part of the city's cultural heritage offer;
  - j) Serving as an important catalyst for the regeneration of the western part of the city centre, contributing to the enhancement of a key gateway to historic areas of the city centre.
  - k) Providing important physical and cultural legacy from the UK City of Culture 2021 programme;
  - l) Providing an important and recognisable platform for Coventry to lead on the national 'levelling up' agenda;
  - m) Generating more visitor footfall and inward investment into the economy of the city, whilst also serving to act as a catalyst for further growth and development of creative industries in the city;
- 2.1.27. The key risks associated with agreeing to acquiring the Premises with a 'two stage' process (acquisition and then development) and the mitigations to be put in place are that:

*Upon Acquisition:*

- a) Any of the partners could exit the partnership up until such a stage as they are committed through Agreements for Lease – this will be mitigated by:
- the extent of aborted financial commitments that each of the principal partners has already contributed and will be committing to going forward into Stage 3 and 4 detailed design and tender;
  - the timescales that each of the principal partners is working to in order to resolve their long-term collections arrangements, having already firmly committed to Coventry as their preferred location and IKEA as their preferred site;
  - the resale disposal value of the site, which is enhanced by the control by the Council of the freehold and leasehold interests. It should however be stated that this value can only be estimated at this stage and will be heavily influenced by market conditions at the time of any disposal and the costs associated with creating a cleared site for development
- b) The City Council becomes liable for the holding cost including business rates payable on the building – this will be mitigated by:
- Once the partners have committed formally through Agreement for Lease, provision has been made within the development costs to treat the holding costs liability as a project cost, thus sharing this liability across partners and being recovered through future rents

Delivery of the capital conversion works:

- c) That the tenders for the capital conversion works are higher than had been forecast – this will be mitigated by:
- the current market for the tendering of capital projects is extremely competitive, whilst the professionally surveyed capital cost forecasts have assumed pre-COVID market conditions;
  - the Heads of Terms (and therefore the Agreements for Lease) will incorporate clauses that limit the extent of capital risk before the project can be aborted by the Council, whilst also ensuring that the Council is the sole beneficiary of any upside gains realised from any underspend on the acquisition or development of the Premises;
  - the resale disposal value of the site, which is enhanced by the control by the Council of the freehold and leasehold interests. It should however be stated that this value can only be estimated at this stage and will be heavily influenced by market conditions at the time of any disposal and the costs associated with creating a cleared site for development;
  - an option for the partners, under such circumstances, to contribute to the overrun costs either through a capital contribution or through increased rentalisation of the overrun costs.

- 2.1.28. If the recommendations within this report were to be approved, then this proposal represents a 'one off' opportunity to create a nationally significant Collections Centre within Coventry, which would revitalise a vacant building in a key part of the city centre, whilst also significantly contributing to the cultural and economic legacy of the UK City of Culture 2021.
- 2.2. Option 2: To not agree to the acquisition of the IKEA premises; not accept a proposed capital grant; and not agree to funding the Stage 3 and 4 detailed design phases of the building conversion options  
**(Not Recommended)**
- 2.2.1. If the Council were to not proceed with the proposed acquisition of the IKEA Premises, with a view to it being converted into a national Collections Centre, then the key benefits would be:
- a) There would be no capital expenditure or associated risk with procuring the building for future development into a proposed national Collections Centre;
  - b) The Council would continue to receive Business Rates from IKEA or any subsequent owner/occupier of the Premises for as long as the building remains in situ, details of which are set out in the Private section of this Report;
- 2.2.2. If the Council were to not proceed with the proposed acquisition of the IKEA Premises, with a view to it being converted into a national Collections Centre, then the key risks would be that:
- a) This large, iconic, city centre building may stand as vacant premises;
  - b) The Council's control over any future disposal of the Premises for a use contrary to the Council's regeneration ambitions would be limited to any protections and covenants contained within the lease with IKEA Properties Investment Limited;
  - c) The Council would not have resolved the challenges of the future storage and management conditions of its own collections, especially in relation to the intended repurposing of Whitefriars Monastery;
  - d) There would be disappointment, including on the part of the national partners, that Coventry – as their destination of choice – was not able to deliver upon an exciting UK City of Culture legacy project and partnership to which they were strongly committed.
- 2.2.3. If the Council were to not proceed with the proposed acquisition of the IKEA Premises, with a view to it being converted into a national Collection Centre, then the key 'missed opportunities' could be that:
- a) The city and the partners would not benefit from the opportunity for a capital grant to the Council that is available until the end of March 2021 and is recommended for approval to support the Council with the acquisition of the Premises;
  - b) There would not be a partnership that brings together two national partners; a city cultural partner; and one of the city's Higher Education institutions;
  - c) There would not be an exhibiting collaboration between the two national partners and the Herbert Art Gallery and Museum, which would be of national and international significance, attracting substantial footfall and economic benefit to the city;
  - d) The project would not become a catalyst for regeneration at the western entrance to the city centre;

- e) The city would miss a significant opportunity to demonstrate genuine physical and cultural legacy from the UK City of Culture 2021.
- 2.2.4. Given the key risks and missed opportunities as set out above, and the wider impact on the Council's economic development and cultural legacy objectives of not exploring the opportunity that is proposed, this option is not recommended.
- 2.3. Option 3: Defer the decision to acquire the IKEA Premises until there is more certainty over the partnering agreements, conversion options and costs (Not Recommended)
- 2.3.1. If the Council were to defer their decision to acquire the IKEA Premises until there is more certainty over the status of the partnering agreements with the partners (by them entering into Agreements for Lease) and/or to establish more certainty over the conversion options and costings, then the key benefits would be that:
- a) There would be no outlay of any capital until all the project variables and commitments were finalised;
  - b) There would be absolute certainty over the partner commitments to the project along with all the terms and conditions that would be contained within the Agreements for Lease;
  - c) No interim costs of 'holding' the building would become liable to the Council during the deferral period.
- 2.3.2. If the Council were to defer their decision to acquire the IKEA Premises until there was more certainty over the status of the partnering agreements with the partners (by them entering into Agreements for Lease) and/or to establish more certainty over the conversion options and costings, then the key risks (in addition to those within 2.2.3) would be that:
- a) The Premises could be disposed of to another interested party;
  - b) The current prospect of external capital grant would be forgone, meaning the project is less affordable to the Council and the three principle Collection Centre partners (Arts Council England, British Council, Culture Coventry Trust);
  - c) The partners would likely lose confidence in the deliverability of the partnership;
  - d) The loss of time within the project programme would extend outside of the current market conditions and make the project more expensive and less deliverable.

### **3. Results of consultation undertaken**

- 3.1. In 2017, Coventry City Council approved a 10-year Cultural Strategy (2017-2027), which was informed by structured primary research eliciting over 2,000 responses; over 12 hours of cultural strategy workshops; 20 hours of workshops linked to the city's bid for UK City of Culture; in-depth audience analysis; an audit of the existing cultural and heritage resources in the city; a tourism profiling study; and desk top research analysis.
- 3.2. The Coventry Cultural Strategy 2017-2027 identifies 'Seven Big Ideas' to bring life and substance to the Strategy's principles and goals. The fifth of these 'Big Ideas' is 'The Nation in Coventry', which recognises:

*“Coventry is well positioned as a showcase for the nation – with 40 million people within two hours travel time. The city will work to develop a plan to make Coventry a city of choice for national collections, events and productions”.*

- 3.3. A subsequent ‘Cultural Capital Prioritisation Strategy’ report in 2018, commissioned by the Council, referenced the opportunity to improve the quality and accessibility of museum storage facilities in the city, noting the potential to relocate other local and national collections into aligned or stand-alone facilities.
- 3.4. Through Feasibility, Acquisition and Assurance stages of project work, consultation on proposed shared Collections Centre facilities, and the suitability of the Coventry IKEA site for this purpose, has been undertaken with lead officers of Arts Council England, the British Council and Culture Coventry Trust (and their architects and professional team advisors, where appointed).
- 3.5. Formal public consultation will take place on any future planning application required for the refurbishment works and change of use of the building to facilitate the Collection Centre.

#### **4. Timetable for implementing this decision**

- 4.1. Subject to Cabinet and Council approval, it is anticipated that the acquisition of the Premises and the acceptance of the proposed capital grant towards the acquisition of the Premises (details of which are set out in the Private section of this Report) will proceed with immediate effect.
- 4.2. The full appraisal of more expansive options would be anticipated to be completed at the end of August 2021 and prior to the completion of Stage 3 design.
- 4.3. It is anticipated that the formal Agreements for Lease with each of the respective partners will be finalised during the Spring/Summer of 2021.
- 4.4. It is anticipated that the following project design, development and construction milestones will be met as follows:
  - December 2021: Completion of Stage 3 Design and Planning Consent
  - February 2022: Completion of Stage 4 Detailed Design and Tender Phase
  - End of April 2022: Detailed Tender Report; Client Approval and Contract Documentation
  - May 2022: Commencement of Construction
  - April 2023: Practical Completion
  - August 2023: Partner Fit Out Completed
  - August 2023: Opening of Collections Centre

## **5. Comments from the Director of Finance and the Director of Law and Governance**

### **5.1. Financial implications**

#### Acquisition Costs

- 5.1.1 The recommendations in the report of a two-stage project approach will result in the Council incurring costs at risk in order to acquire the leasehold of the Premises. These are detailed and itemised within the Private section of this Report.

#### Capital Financing of Acquisition Cost

- 5.1.2 The capital costs associated with the acquisition are proposed to be funded from two sources. Firstly, a capital grant towards the acquisition, which de-risks the initial cash flow and funding requirement. It is proposed that the projected balance is funded from prudential borrowing. The recommended option to acquire the building at risk, ahead of securing formal leases with partners, means that until such time as the project has been confirmed as proceeding to the development phase, and partners have contractually committed to leases, the net cost of acquisition and associated debt servicing costs are a cost risk to the City Council. The detail and risks associated with these arrangements are set out further in the Private section of this Report.

#### Capital Grant Conditions

- 5.1.3 The proposed capital grant process as referenced in the Private section of this Report requires the Council to commit to the acquisition of the Premises and accept the grant award by 31<sup>st</sup> March 2021, and to complete the acquisition by 31<sup>st</sup> March 2022. Should the capital grant not be spent as intended within the timescales, it will become repayable by the Council in part or full. The conditions of the Grant Agreement will be enforceable for 20 years, and any sale of the site or change of use from the intended usage during that period, would lead to a requirement to repay the grant in part or full.
- 5.1.4 The conditions of the grant are also such that should the project not proceed to the development phase, the grant will be repayable in part or in full by the Council. In the event of full repayment, the Council would be liable for the full cost of acquisition and the associated debt servicing costs until such time as an alternative use was identified for the Premises or the Premises were disposed of.

#### Premises Holding Costs and Business Rates

- 5.1.5 In addition to the debt servicing costs of financing the capital expenditure, once the Premises are in Council ownership, the City Council would start to incur building running costs. These are estimated to be in the region of £1.25m in a full year and include the following:
- Business rates
  - Utilities
  - Insurance
  - Security
  - Repair and Maintenance

If the project proceeds to the development phase, all holding costs would be treated as 'project costs' and recovered through partner rents. The two-stage approach proposed, means that until such time as all partners have formally committed to lease agreements, these costs will remain a risk to the City Council.

Depending on the development proposals, the Rating valuation office may determine that business rate relief can be applied for the construction phase, but this cannot be confirmed until the detail of works is known.

Should the acquisition not be approved, then as stated in Section 2.2.1, IKEA will continue to be liable for the rates until such time as they dispose of the Premises or the building is demolished.

#### Detailed Design Feasibility Works

- 5.1.6 As stated in Sections 2.1.8 to 2.1.13, the Council has had extensive technical feasibility and suitability surveys carried out by professional surveyors to provide assurance that the building can be suitably converted and is structurally and mechanically sound. The fees of £0.22, which also informed capital cost estimates of conversion, have been incurred jointly by partners, the City Council's share of this being c£0.09m, funded from existing resources.
- 5.1.7 Should the proposed acquisition be approved, it is anticipated that further pre-development costs in respect of professional design fees for RIBA Stages 3 & 4 (detailed in the Private section of this Report) will also be incurred by the City Council, in order to further inform the technical and financial viability of the project. Assuming the project progresses, these costs would be capitalised as part of the development phase works and recovered from partners through the rents chargeable.
- 5.1.8 The Heads of Terms currently proposed to partners would commit them to a share of these costs should the project not proceed to the development phase and the costs become abortive. This reduces the net abortive cost risk that the Council would have to bear for these development costs to c£550k. The recommendations in the report are conditional on this risk-sharing approach.

#### Project Affordability

- 5.1.9 Whilst development options and rental terms with partners are yet to be finalised, it is anticipated that the net acquisition costs, combined with conversion costs for the refurbishment works, will be recovered by the rental incomes from partners over a long-term period as outlined in Section 2 of the Private element of this Report. The Council has developed a base option that has the potential to be financially viable, however further work is underway to optimise the usage of the site and determine the financial implications of different options. The eventual total cost of the preferred option and associated funding proposals will be subject to a further Report to Cabinet and Council seeking approval for the Stage 2 development.
- 5.1.10 It is expected that partners will have agreed Heads of Terms with the Council prior to the acquisition of the Premises, however it is not expected that there will be any binding Agreements for Lease in place at the point of acquisition. Therefore, the Premises would be purchased at risk by the City Council until partners formally commit to the project.

#### Asset Valuation

- 5.1.11 To mitigate the risk of the project not progressing to the development phase, and partners therefore not committing to the project, the Council has employed the services of external property consultants, Savills, to review both the potential income that could be obtained if the building were to be let to commercial tenants and what the potential site value could be. The key financial conclusions outlined within the Savills report are summarised within the Private

section of this Report. The valuation indicates a degree of mitigation against the risk of acquisition, potentially enabling the Council to recoup its investment and repay the proposed capital grant if the project does not proceed.

## **5.2. Legal implications**

### **5.2.1 Acquisition of the leasehold interest**

Section 1 of the Localism Act 2011 provides a “general power of competence” for local authorities, defined as “the power to do anything that individuals generally may do” and which expressly includes the power to do something for the benefit of the authority, its area or persons resident or present in its area.

Section 120 of the Local Government Act 1972 allows the Council to acquire land for either the benefit, improvement or development of its area; or for a purpose relating to any of its powers. The decision to acquire the leasehold interest of the IKEA building fits within the remit of this power and the body of this report clearly sets out the benefits which underpin the reasons for the recommendation set out in this report.

### **5.2.2 The Council’s Fiduciary Duties**

Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. The general requirement in administrative law is that that a local authority decision must be rational, authorised by law and must take account of all relevant considerations, whilst ignoring any irrelevant ones. Members should therefore satisfy themselves that their decision complies with this duty (e.g. weighing up the options including the key benefits of the proposals for the city and coming to the conclusion that the recommendations set out in this report constitutes the best interest of the general body of local taxpayers).

### **5.2.3 Procurement**

The Council will be acquiring a leasehold interest in a building. The acquisition of such a property interest is not subject to the Public Contracts Regulation 2015.

The procurement of the design team required to facilitate the delivery of the options would constitute a services contract for the purposes of the Public Contracts Regulation 2015. Legal Services and Procurement Services would work with the project team to ensure that any such appointments are undertaken in accordance with the legislative requirements and the Council’s Contract Procedure Rules.

## **6. Other implications**

### **6.1. How will this contribute to achievement of the Council's Plan?**

6.1.1. The delivery of the proposal outlined in this report will help deliver a range of economic development and cultural legacy objectives that will help to realise the Council’s strategic ambitions for a more vibrant and economically prosperous city.

6.1.2. The delivery of the Collection Centre project will directly contribute to Coventry Cultural Strategy objectives for capital; Partnership; Life-Long Learning; Economic Growth and The Nation in Coventry (referenced in Section 3 above).

6.1.3. The recommended proposal will further contribute to the Council's core aims of:

- ***Making the most of our assets and developing the city centre*** – through the repurposing of a vacant city centre building into a new cultural asset for the city, increasing access to local and national arts, cultural and heritage collections; attracting inward investment; creating new jobs; and attracting two national partners to locate key cultural services to the city for the long-term period of their leases. Initial, high-level economic modelling estimates that delivery of the Collections Centre project through Stage 2 has the potential to support temporary construction jobs; jobs in arts, culture, tourism and hospitality related sectors; and generation of circa £185m in Gross Value Added (GVA) for Coventry and the West Midlands over a 10 year period.
- ***Improving educational outcomes*** – The proposal offers the potential to develop new learning, education and training opportunities aligned to the Collections Centre and associated activities. Coventry has a strong cultural education offer within the city, provided not only by schools and education services but also through both universities, colleges and arts businesses. The Collections Centre project offers the opportunity to widen access to key local and national collections and develop a centre of excellence in collections care, curation, management and associated areas.
- ***Raising the profile of Coventry through promoting Coventry as a visitor destination and centre for arts and culture*** - Goal 5 (Economic Growth) of the Coventry Cultural Strategy identifies Coventry as a culturally vibrant, attractive and prosperous city and sets the ambition that as a cultural city we work to enrich the lives and environment for all residents. The Strategy aims to address the need of the city to improve the way it promotes itself as a major tourist destination for the West Midlands and as a result, through a better articulated tourism offer, successfully attract more visitors, increase spend and secure and sustain new businesses and investment. The proposed project provides Coventry with a lasting physical and economic legacy from UK City of Culture 2021 and provides the opportunity to promote the city as a national centre of excellence for collections management, with an aligned exhibition programme offering the potential to promote the city to cultural audiences and academics.

## **6.2. How is risk being managed?**

- 6.2.1. The key risks to the proposals have been outlined in Section 2.1.27 above (with mitigations) and are also included within a project Risk Register, which is regularly updated and reviewed periodically by the Project Board.
- 6.2.2. The Project will be aligned to the Cultural Capital Investment Programme. The Programme is currently managing several capital projects and managing funds over £40m. The programme reports to both the Council's Capital Programme Board chaired by the Chief Executive and the City Readiness Board chaired by the Deputy Chief Executive. The Programme operates under an Assurance Framework which was developed in conjunction with the City Council's legal team and sets out how the programme will operate, manage and monitor projects.
- 6.2.3. Through feasibility stages of the project, Acquisition and Assurance Reports (to assess the suitability of the building for purchase and conversion into a national Collections Centre) have been developed by professional teams, to include architectural, mechanical and electrical, structural, fire, lift, sector-specific and cost consultancy expertise. Both these consolidated Reports confirm the fundamental suitability of the building for acquisition and provide the necessary assurance as to its suitability for conversion into its proposed use as a Collections Centre with associated educational, skills and learning facilities.

### **6.3. What is the impact on the organisation?**

6.3.1. The impact to the organisation will be primarily on officers within Finance, Business, Investment and Culture, Property Services and Development and Legal Services Directorates who will be responsible for undertaking the work to conclude the negotiations to enter into the Agreements for Leases and leases as well as running a significant procurement process for the refurbishment works.

### **6.4. Equalities / EIA**

6.4.1. Section 149 of the Equality Act 2010 requires the Council in the exercise of its functions to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and other form of conduct prohibited under the act; and,
- to advance equality of opportunity and to foster good relations between persons who share a relevant protected characteristic (age, disability, gender re-assignment, pregnancy and maternity, race, religion and belief, sex, and sexual orientation) and persons who do not share it.

6.4.2. Having regard to the need to advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of the persons who share that characteristic that are different from the needs of persons who do not share it; and,
- encourage persons of the relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

6.4.3. The Equality Duty has been considered and it is felt that an Equalities Impact Analysis is not required as the proposal concerns the potential acquisition of buildings and land and no Council service or group will be impacted.

### **6.5. Implications for (or impact on) climate change and the environment**

6.5.1. Whilst this report is focussed on the initial acquisition of IKEA prior to any future developments, the implications for (or impact upon) climate change and the environment of the project being realised to fruition would be that:

- a) If the alternative new build option had been / were to be pursued in comparison to this conversion of an existing building, then studies show that in construction, new build can create up to 100% more embodied carbon emissions than refurbishment or repurposing of existing buildings;
- b) The proposed use of the IKEA building would consolidate onto one site, the existing uses and tenancies of up to six existing separate uses/occupiers, thereby having considerable construction carbon savings. The alternative of constructing separate buildings for each users' requirements, the land requirement, the need to likely involve demolition of existing buildings and the whole embodied carbon of the construction

process would be substantial within the building area needed to house all those six intended uses for a single Collections Centre;

- c) Re-purposing the building would:
  - Reduce the construction transport generated carbon.
  - Reduce the embodied carbon within the building materials.
  - Allow for significant improvements on the existing building services carbon usage
- d) The proposed building offers the potential to achieve best practice carbon efficient design for refurbishment. The use of existing geothermal installation with new electric heat pumps, to generate heat, is entirely in line with emerging and new policy and legislation aimed to drive towards the zero carbon targets set by UK government;
- e) Grid electricity as a primary utility source for the heating is ever increasing in its carbon efficiency and this stands apart from the older, more carbon intensive buildings where the primary heating source is gas. Currently, there is no gas supply to the IKEA building;
- f) The collections and storage areas within the proposed development will use recirculated and recovered heat or cooling energy to improve the overall efficiency of the building's environmental control;
- g) The existing building's lighting and energy 'hungry' ventilation systems will be replaced with tailored solutions designed to meet the carbon efficiency targets within affordable cost budgets;
- h) The existing building fabric will be improved to reduce any air permeability issues that currently exist and the introduction of thermal 'boxes' within the larger building space to create repositories and a demise for each of the individual tenants, will increase the overall thermal specification, thus reducing the environmental control load beyond what it would be for new buildings;
- i) Overall, the benefits of reuse of the existing building in a re-purposed manner will be significant with respect to construction, lifecycle and in use carbon emissions and this can be demonstrated through a detailed design process;
- j) The operation of the Collections Centre by the various partners will also result in significant carbon reductions through there being less travel between multi-site collections, storage and loaning facilities as they become consolidated onto one multi-functional and shared site.

## 6.6. Implications for partner organisations?

6.6.1. The delivery of the proposal outlined in this Report will secure benefits for each of the Collections Centre partners as follows:

**Arts Council England** – ACE has reached capacity across its two current collections stores. The proposed New Collections Centre offers ACE the opportunity to combine the two stores whilst increasing capacity and efficiency through a single, long-term solution. The partnership, city centre Collection Centre model provides further opportunities to grow audiences and expand public access to the Arts Council Collection, with dedicated shared spaces where school pupils, community groups, researchers and professionals can access and experience the Collection. The proposal also provides the opportunity for ACE to directly respond to several of the recommendations from The Mendoza Review (2017), particularly

in relation to dynamic collection curation and management; establishing a strategic approach to sharing skills and infrastructure; and contributing to placemaking and local priorities. ACE further see the project creating a significant legacy opportunity for the national partners with Coventry UK City of Culture 2021.

**British Council** – The British Council has also been seeking a long-term solution to its collection requirements. The Collection Centre provides clear benefits to the British Council through: providing ample space for the current Collection with the capability of accommodating future growth; providing a centrally located facility with good transport links (for logistics and improving access for British Council staff, stakeholders, students and professional visitors); allowing for greater collaboration and facility sharing with the Arts Council Collection and city's collections; creating a significant legacy opportunity for the national partners with Coventry UK City of Culture 2021.

**Culture Coventry Trust** – The proposed New Collection Centre facilitates the securing of Coventry's collections, managed by Culture Coventry Trust, into a more bespoke and suitable collections environment, with enhanced public access to the parts of the city's vehicle and human history collections that are not currently on display within current museum exhibitions at the Herbert Art Gallery and Museum and Coventry Transport Museum. The partnership with two national collections partners further provides an opportunity to significantly enhance and re-imagine the positioning of the HAGM – through the creation of an enhanced exhibition programme that will enable the HAGM to reach wider and more diverse audiences.

**Coventry University** – The involvement of Coventry University in the creation of aligned cultural and education facilities provides a unique opportunity to create an international centre of excellence in collections care and management and associated cultural and education activities, providing direct managed access to teaching, collections and high-quality facilities for professionals, academics, students and researchers.

**Report author:**

David Nuttall

Strategic Lead (UK City of Culture and Commonwealth Games)

**Service:**

Business, Investment and Culture

**Tel and email contact:**

Tel: 024 7697 2337

Email: David.Nuttall@coventry.gov.uk

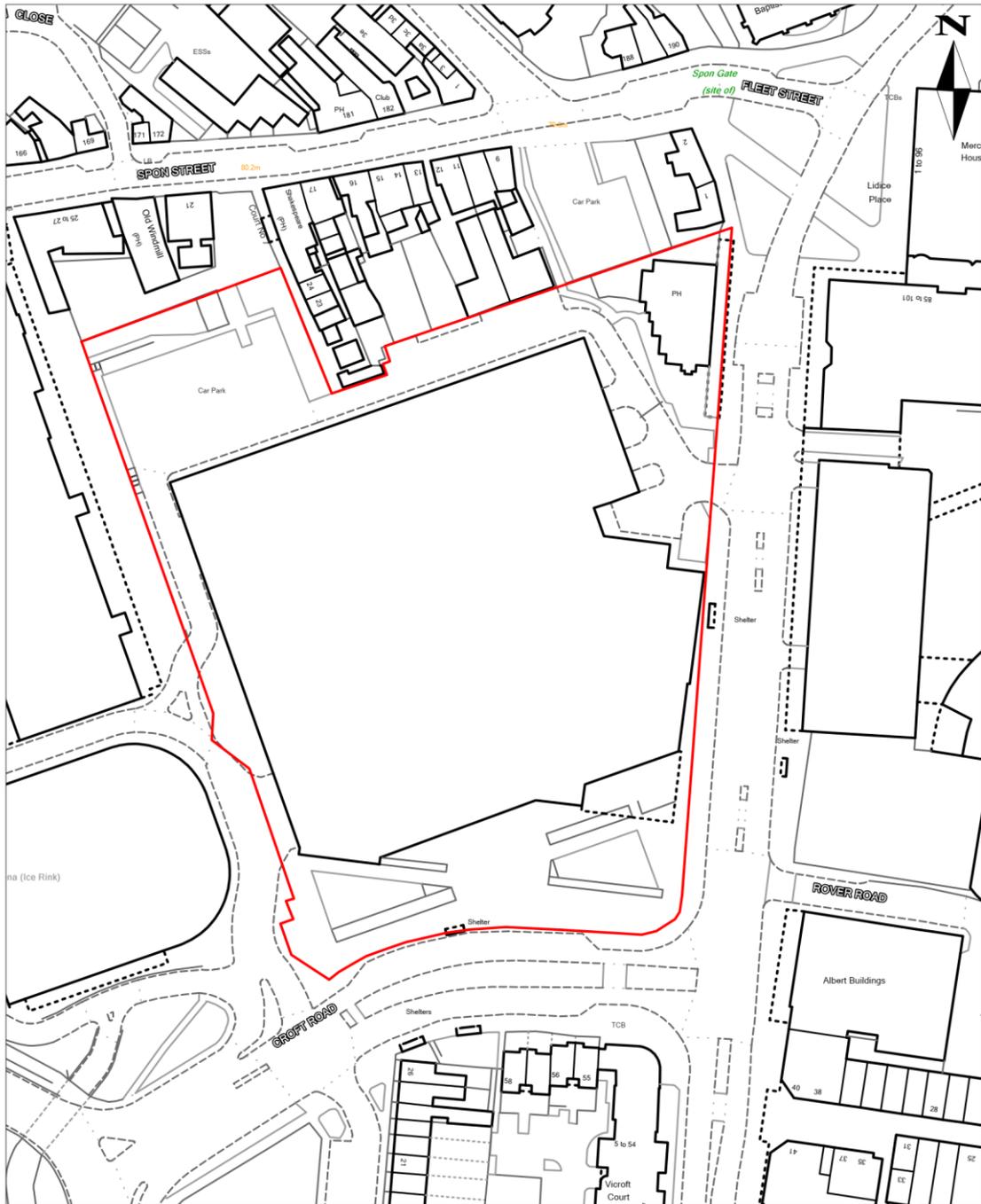
Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Service</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Charlotte Booth	Programme Manager (UK City of Culture & Commonwealth Games)	Business, Investment and Culture	21/01/21	21/01/21
Adam Hunt	Strategic Lead – Property and Development	Property and Development	21/01/21	25/01/21
Aimee Proctor	Programme Manager – Finance	Finance	21/01/21	25/01/21
Phil Helm	Finance Manager	Finance	21/01/21	25/01/21
Andrea Pearson	Property Lawyer	Law and Governance	21/01/21	25/01/21
Oluremi Aremu	Major Projects Lead Lawyer	Law and Governance	21/01/21	25/01/21
Catherine Barclay	Strategic Category Lead Place and Corporate	Procurement and Commissioning	21/01/21	
Michelle Salmon	Governance Services Officer	Law and Governance	21/01/21	21/01/21
<b>Names of approvers for submission: (Officers and Members)</b>				
Barry Hastie	Director Finance and Corporate Services	Finance	21/01/21	25/01/21
Julie Newman	Director of Law and Governance	Law and Governance	21/02/21	25/01/21
Andy Williams	Director of Business, Investment and Culture	Business, Investment and Culture	21/01/21	22/01/21
Richard Moon	Director of Property Services and Development	Property Services and Development	21/01/21	22/01/21

Martin Reeves	Chief Executive	-	21/01/21	21/01/21
Councillor D Welsh	Cabinet Member for Housing and Communities	-	21/01/21	12/02/21
Councillor J O'Boyle	Cabinet Member for Jobs and Regeneration	-	21/01/21	12/02/21

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# Appendix 1 – Site Plan



PLACE DIRECTORATE  
 PROPERTY  
 ONE FRIARGATE  
 COVENTRY  
 CV1 2GN  
 Tel: 024 76972105



**Title: Land at Spon Street**

Drawn By: LB  
 Scale : 1:1250 @ A4  
 Date: 19/01/2021

# Appendix 2. RIBA Stage 3 & 4 Professional Fees Cost Plan

██████████

**COVENTRY CITY COUNCIL**

**NEW COLLECTION CENTRE - CONVERSION OF IKEA BUILDING**



**POTENTIAL FEES FOR STAGE 3 AND 4 DESIGN**

Jan-21		OPTION A ONLY		
Option A Construction Value		Stage 3	Stage 4	Combined Stage 3 & 4
discipline	notes	£	£	£
Project Manager		██████████	██████████	██████████
Architect				
Quantity Surveyor				
Principal Designer				
MEP Consultant				
Structural Engineer				
Planning Consultant				
Transportation Consultant				
Legal Fees				
Fire Engineer				
Acoustic Engineer				
Security Consultant				
Cof W	Stage 5 only			
Cladding assurance	Stage 5 only			
CCC Internal PM Costs				
<b>FURTHER SURVEY WORKS</b>				
Measured Survey				
Drainage Survey				
Other Surveys				
<b>OTHER</b>				
Planning				
Building Control				
Flood Risk				
<b>Subtotal</b>		██████████	██████████	██████████
<b>CONTINGENCY</b>		██████████		

<b>Option A Fee Allowance</b>	██████████
From Option A Cost Report	
Add ██████ Contingency	
<b>sub total</b>	██████████
Less Assurance/Acquisition	
<b>Total Bal Remaining</b>	██████████
Less Stage 3 & 4	
<b>Bal Remaining for Stage 5 &amp; 6</b>	██████████