

Council – 6th December 2022
Recommendation from Cabinet
15th November 2022

Coventry City Council

Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 15 November 2022

Present:

Cabinet Members: Councillor G Duggins (Chair)
Councillor A S Khan (Deputy Chair)
Councillor R Brown
Councillor K Caan
Councillor P Hetherton
Councillor M Mutton
Councillor J O'Boyle
Councillor K Sandhu
Councillor P Seaman
Councillor D Welsh

Non-Voting Deputy
Cabinet Members: Councillor P Akhtar
Councillor B Gittins
Councillor G Lloyd
Councillor S Nazir

Non-Voting Opposition
Members: Councillor P Male
Councillor G Ridley

Other Non-Voting
Members: Councillor J Clifford
Councillor R Lakha
Councillor K Maton

Employees (By Service)

Chief Executive M Reeves (Chief Executive)

Communications N Hart

Finance B Hastie (Chief Operating Officer (Section 151 Officer)),

Law and Governance O Aremu, S Bennett

Property Services and
Development R Moon (Director), A Hunt

Streetscene and
Regulatory D Butler

Transportation and
Highways

D Pipe, J Seddon

Apologies:

Councillors N Akhtar, L Bigham, G Hayre and R Singh

Public Business

48. Declarations of Interest

There were no disclosable pecuniary interests.

53. City Centre South Funding and Delivery

The Cabinet considered a report of the Director of Property Services and Development which indicated that the City Centre South scheme will deliver transformational improvements to Coventry City Centre through new homes, jobs, commercial and leisure opportunities and high-quality public spaces. The report sought formal approval to the next stage of the project (following the previous Council approval in January 2022 to proceed with the making of the Compulsory Purchase Order).

A corresponding private report detailing confidential financial matters was also submitted for consideration (Minute 56 below refers).

The Council's development partner, Shearer Property Regen Ltd (SPRL), have appointed Hill Holdings Limited as the funding partner for the Scheme under the terms of the Development Agreement entered into between the Council, SPRL and Shearer Property Group (SPG) in 2019. The Council are working with the developer to optimise the Scheme and an application to make a number of refinements to the Outline Planning Permission for the Scheme will be submitted to the Local Planning Authority shortly.

The parties are also working together to agree variations to the Development Agreement to reflect the Scheme refinements and the commercial terms of both the Council and development partner. Whilst deliverability is being optimised through design and contractual changes, where a viability gap remains the developer has a right under the Development Agreement to make a request of the Council to bridge that financial gap, in order to make the scheme financially viable. The Council has no obligation to agree to such a request; however, it is recommended that the Council resolves to provide financial support to the project in order to secure delivery.

This report, therefore, seeks formal approval to utilise funding awarded to the Council by the West Midlands Combined Authority (WMCA), as well as some additional Council resources, to provide additional funding support for the Scheme and to make changes to the Development Agreement to enable the delivery of the Council's key regeneration priority for the city, delivering important new homes, hundreds of new jobs and a step change in the quality of the city centre.

The Scheme will deliver a range of transformational benefits for the people of Coventry. The proposed refinements to the Scheme will lead to up to 1,500 new homes (an increase from 1,300 new homes), new retail, employment, health care and leisure space resulting in a new sustainable city centre community whilst still retaining a mixed use approach. As well as these quantitative benefits, the delivery of the Scheme will realise a significant number of qualitative benefits that will benefit local residents and businesses, which include:

- An increased diversity in city centre uses, through the delivery of residential units (including different tenures), mixed retail and leisure spaces and new public realm provisions.
- An active, attractive and inclusive evening economy, as a result of the provision of a more varied commercial offer which will lead to a more socially inclusive place.
- Improved attractiveness of the city centre as a business location, through attraction of talent to the area and better linkages to the city's existing business district.
- Improved connectivity across the city centre through the proposed public realm works and new pedestrian and cycle linkages.
- A more active and varied cultural offer, through the diverse range of leisure and retail uses proposed under the new scheme
- Improved perception of the city centre, through its transformation into an exciting and thriving location in which to live and work. This will not only encourage local visitors but will also increase tourism.
- Changed perception of Coventry as a place to live, work, visit and study due to the vibrant and successful mixed-use environment.
- Improved local and regional economic and commercial regeneration by the Scheme acting as a stimulus for further private sector investment due to an enhanced economic sentiment around the city centre.

As has been the case since the Scheme's inception, bringing forward a complex city centre regeneration scheme like CCS and delivering the range of benefits outlined above has required financial viability challenges to be overcome. The £98.8m WMCA grant funding acknowledged the reality of the "market failure" in this part of Coventry and the economics associated with bringing forward a city centre scheme of this nature. This has been reinforced through the recent WMCA Investment Board Decisions to both continue to allow the full utilisation of the grant funding and to reprofile some elements to support Scheme cashflow.

Additionally, the Outline Planning Permission for the Scheme acknowledged that the delivery of affordable housing in that Scheme was not financially viable and no affordable housing was proposed at that stage. However CCC, WMCA and SPRL all wish to see a refined Scheme including affordable housing to ensure a diverse and vibrant community and to offer opportunities to Coventry residents seeking an affordable home in the city centre. The refined Scheme is therefore looking to include up to 20% affordable housing, subject to viability re-appraisal.

A financial re-appraisal of the refined Scheme indicates that even after a full utilisation of those elements of the WMCA grant available to the developer a viability gap remains. Accordingly, substantially in accordance with the provisions of the Development Agreement (DA), SPRL have requested that a contribution of up to £32.75m of funding is committed by the Council to help facilitate delivery of

the Scheme. The proposed Council funding of the Scheme includes utilisation of £28.7m of the WMCA grant which is awarded to the Council as compensation for its loss of existing land interests in the CCS area and which the Council is willing to see recycled into supporting Scheme delivery.

Alongside the Council's advisers, Deloitte (Commercial Advisors) and WTP (Cost Consultants), the Council has been undertaking due diligence on the refined Scheme to analyse and refine the costs, values and target return adopted within the appraisal and the Council is satisfied that SPRL's financial appraisal as refined by this process is robust and satisfactory. Furthermore, the Council's commercial advisors Deloitte have confirmed that an additional funding contribution from the Council to close the Viability Gap is justified and required in order to deliver the Scheme.

As the Council enters the next stage of the project, there is a need to continue working with advisors to have support at the CPO inquiry, due to take place in January 2023, and to provide the Council with the legal and commercial expertise needed to deliver the project.

RESOLVED that Cabinet:-

- 1) Delegates authority to the Director of Property Services and Development, following consultation with the Chief Operating Officer (Section 151 Officer), the Director of Law and Governance, the Cabinet Member for Jobs, Regeneration and Climate Change, the Cabinet Member for Strategic Finance and Resources and the Cabinet Member for Housing and Communities to undertake the necessary due diligence and approve the terms of the Scheme funding and, thereafter, enter into any associated legal agreements and undertakings that are necessary to give effect to the recommendations within this report.**
- 2) Approves, in principle, the proposed Variations to the Development Agreement between the Council, Shearer Property Regen Ltd and Shearer Property Group.**
- 3) Delegates authority to the Director of Property Services and Development, following consultation with the Chief Operating Officer (Section 151 Officer), the Director of Law and Governance, the Cabinet Member for Jobs, Regeneration and Climate Change, the Cabinet Member for Strategic Finance and Resources and the Cabinet Member for Housing and Communities to undertake the necessary due diligence and approve and enter into the legal agreements and undertakings necessary to give effect to Recommendation 2) above.**
- 4) Recommends that the Council approves the use of up to £32.75m to support the delivery of the Scheme and £1.2m to fund Project Support and Monitoring Costs (£28.7m of which is to be funded from the West Midlands Combined Authority City Centre South grant and £5.25m from Capital receipts to provide the remaining gap funding for the Scheme and Scheme Project Support and Monitoring Costs).**