

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Overview & Scrutiny Committee **DATE:** 2<sup>nd</sup> July 2009

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**WARD(S):** All

### **PART I** **FOR CONSIDERATION & COMMENT**

#### **SLOUGH TOWN FOOTBALL CLUB**

##### **1 Purpose of Report**

This report advises of a proposal received on behalf of Slough Town Football Club ("STFC") and Paradigm Housing Association ("Paradigm") and for a disposal of the former Arbour Vale School site.

##### **2 Recommendation(s)/Proposed Action**

To consider the following recommendations to Cabinet -

- a) That the contents of this report and representations from Slough Town Football Club and Paradigm Housing Association be noted.
- b) That the Council wishes to see a football stadium built within the town for sports and community related users
- c) That the proposed terms for disposal of the former Arbour Vale site be approved and that the Borough Solicitor and Secretary, in conjunction with the Director of Resources be authorised to complete a formal agreement on these terms, subject to any alterations or amendments required to make commercial sense or to protect the Council's interests.
- d) That members have considered the Well-Being Powers of Part 1 of the Local Government Act 2000 and have judged that this proposal represents a scheme which will directly affect the economic social and environmental well being of their area.

##### **3 Community Strategy Priorities**

- **Celebrating Diversity, Enabling inclusion**
- **Adding years to Life and Life to years**
- **Being Safe, Feeling Safe**
- **A Cleaner, Greener place to live, Work and Play**
- **Prosperity for All**

STFC's proposals will contribute to each of the Community Strategy Priorities by providing an enabler for a range of community based activities for the benefit of the residents of Slough. The development will:

- give residents a sense of pride and community spirit
- aid social integration
- be a focus for sports development.

#### 4 **Other Implications**

##### (a) Financial

The current capital programme assumes a capital receipt of £1.5m in 2102-2013.

The council will need to meet its obligations in relation to the disposal of assets under Local Government Act 1972 and the General Disposal Consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained (“the Consent”).

Under the Consent a local authority has to discretion to sell at an “undervalue” of up to £2,000,000. Undervalue is defined as “the difference between the unrestricted value of the interest to be disposed of and the consideration accepted”.

Where an undervalue of less than £2,000,000 exists an authority can dispose at less than market value in pursuance of its “Well-Being” powers. The Well-Being Power was introduced in 2000 to increase local authorities' capability to act on behalf of their areas. It allows principal local authorities in England and Wales to do anything they consider likely to promote the economic, social and environmental well-being of their area.

Members will need to formally consider whether a sale at less than market value can be justified under both Well-Being powers and general fiduciary duty. Appendix 2 sets out the various benefits which the area will derive from the proposal. These clearly demonstrate economic social and environmental benefits.

##### (b) Risk Management

<b>Risk</b>	<b>Mitigation</b>
Planning Consent will not be forthcoming.	The proposed development is in the Green Belt. Proposed Hotel no longer part of proposal. Paras.5.12, 5.13 provide a planning commentary. Planning Application costs will be at Paradigm’s expense.
Stadium Development costs exceed original budget.	It is a condition of the transaction that costs in excess of £3.5m. for the construction of the stadium will be absorbed by Paradigm.
Operational viability of football Club.	A detailed cash flow forecast for the facility and the club have been provided. The stadium facilities will be the subject of a 125 year lease from the Council with appropriate conditions attached.
The land will be sold for non sports/community related users.	A condition will be included in the lease restricting the use and will be registered at H.M. Land Registry

Lack of financial viability of clients in the future	User clause in lease will require to club standards that football will continue to be played at the community stadium otherwise the lease will be forfeited.
The availability and quantum of grant funding will be critical to the viability of the proposals for: <ul style="list-style-type: none"> <li>the Affordable Housing element of scheme and</li> <li>the working capital required for the running of the sports facilities.</li> </ul>	The Council's Housing Department are supportive of Paradigm's proposals and would in principle be prepared to commit a significant sum if required to assist the scheme's viability.  It will be a condition of the transaction that STFC receive minimum grant funding of £250,000.

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act implications.

Whilst the provision of sports stadia is not a statutory duty for the local authority, it could fall within the Council's general Well-Being powers, particularly where (as in this instance) there is strong evidence that STFC's proposals will be of a broader benefit to the community. The proposal for a scheme with a very high proportion of Affordable Housing will also assist in meeting the Affordable Housing targets and could also legitimately be considered a relevant factor in determining the appropriateness of the Council using its Well-Being powers. The council has the power under to facilitate leisure facilities. Affordable housing is a high Council priority.

(d) Equalities Impact Assessment

There are no equalities issues arising from this matter.

(e) Workforce

There are no workforce implications arising from this matter.

**5 Supporting Information**

- 5.1 STFC's previous proposals for the development of the Arbour Vale site (a site plan is shown in Appendix 1) were considered by Cabinet in February 2008 following which, the Club was given three months to provide additional detailed information. Despite being unable to respond in a satisfactory form, discussions have, however, continued between Officers and representatives of both the Club and Paradigm. The purpose of these discussions has been to find an acceptable alternative solution for the delivery of a new Club Facility on the site which would provide a new permanent home for STFC in the Borough.
- 5.2 As a result of the ongoing negotiations, a revised outline proposal has been received from the Club and Paradigm involving two main components, namely a residential development and Community Football Stadium. There has accordingly been both a fundamental change to the Club's approach to their development proposals as well as amendments to the original offer.

5.3 It is proposed that there will be two transactions. The residential land will be sold freehold to Paradigm with the condition that part of it is to be used for a football stadium for sports and community related users. The available remainder of the site will be simultaneously leased by the Council to STFC (through a Trust or appropriate vehicle) for a term of 125 years. This will be linked to a contract between Paradigm, SBC and the Trust for the building the new Club Facility to protect the Council's interests in the project.

5.4 The table below summarises the current proposal;

<b>Proposal</b>	<b>Comments</b>
81 residential units excluding site of West Wing (assuming it remains in situ).	Previous scheme assumed 62 residential units.
Up to 100% Affordable Housing (subject to agreement as part of detailed discussions prior to a planning application).	Original proposal allowed for mix of 30% affordable, 70% private dwellings.
Hotel now excluded from scheme.	Previous proposals included a 110 bedroom hotel.
Potential for 19 additional private dwellings if site of West Wing is included in the overall development.	There is scope for a phased disposal (subject to detailed negotiation) allowing for the site of the West Wing site to be included at a later date if it suits the Council. It is not a condition of sale that this area be included.
<p>Offer is for a minimum Capital receipt to the Council of £2.4m for the 81 unit scheme (before S106 obligations) rising to minimum £3.5m if the site of West Wing is included.</p> <p>The offer is subject to:</p> <ol style="list-style-type: none"> <li>1. Planning consent being obtained</li> <li>2. Appropriate funding being forthcoming from the Homes and Communities Agency for the Affordable Housing Scheme</li> <li>3. Minimum grant £500,000.00</li> <li>4. Approval by Paradigm's Board</li> </ol>	<p>The offer does not take account of any S106 contributions which will be subject to negotiation with the Planning Authority. The net figure payable to the Council will reflect the level of S106 contributions agreed (estimated at c.£1.2m).</p> <p>The offer allows for the construction of the new stadium and associated facilities at Paradigm's expense.</p> <p>Planning application costs will be at Paradigm's expense.</p>
A full disclosure approach is to be adopted in relation to all aspects of the transaction including the construction of the stadium facility.	<p>The Council will share in the benefit of any additional value:</p> <ol style="list-style-type: none"> <li>1. from the sale of the private element of the scheme (in the event of West Wing being included) if sale prices rise beyond an agreed base value figure.</li> </ol>

	2. if construction costs for the stadium are less than £3.5m.
The Community element of scheme has been redefined. The Stadium facility is to include halls of residence.	Appendix 2 provides details of the anticipated community benefits.
Paradigm Housing Association and STFC will be the only parties to any transaction with the Council. The housing land will be sold freehold to Paradigm and a long lease will be granted of the land required for the Club facilities	Paradigm Housing Association is already a nominated RSL partner of the Council.
A formal Grant application is to be made by STFC to The Football Association, Sport for England and other relevant bodies.	There is an expectation by the Club of a capital grant of c. £500,000. Any grant sums received in excess of the working capital requirement of £250,000 will be payable to the Council by way of an increase in the level of capital receipt
A new football stadium will be constructed with a capacity of up to 3,000.	Stadium includes community facilities. External pitches include a floodlit all-weather games pitch

5.5 Plans showing the development proposals are attached in Appendix 3.

5.6 The Halls of residence in the new stadium facility will be used by many different user groups including for example:

- Sports teams using as a base to play other local teams
- Schools utilising for foreign exchange students
- Local Associations' residential courses
- STFC (and other sports clubs) who will be able to invite elite teams of all ages from anywhere in the UK to play them.
- Other teams playing in London requiring accommodation and training facilities.

5.7 Representatives of both STFC and Paradigm will be attending the Overview & Scrutiny meeting to promote the proposals and be available to answer specific questions relating to the development.

5.8 Valuations of land in the current economic market, where there are very few sales taking place, are proving very difficult. If Cabinet agree the recommendation then it will be a condition of any transaction with Paradigm and STFC that an up to date formal valuation is undertaken which will determine the level of any undervalue. If the result is an undervalue of less than £2 million then the Council can use its well being powers in conjunction with its powers to provide leisure facilities to authorise the transaction. The requirement to have a football stadium on the land will affect the value of the land. If the undervalue is more than £2 million then the Council can use

its powers to contribute towards the provision of the leisure facilities from the proceeds of sale.

5.9 In the current recession, the impact of S106 contributions is having a significant effect on the viability of many development schemes and the Club's proposal is no exception. Further discussions with the Planning Authority will be required in order to set a level of required contributions which take full account of the community benefits being offered by the proposal (Appendix 1). The S106 contribution is a completely separate consideration from the value of the land in determining best consideration.

5.10 There have been a number of other unsolicited approaches from parties interested in the site. These have not been pursued due to Members' preference that STFC's proposals are progressed.

### **West Wing**

5.11 The structure of the proposed transaction is such that it is possible to sell the site with or without the West Wing remaining in-situ and a decision can be taken by Members at a later date on whether or not this part of the site should be included in the sale. Officers are currently considering a number of options relating to the possible re-provision of West Wing's performing arts facility including Heart of Slough and recommendations will be the subject of a future separate report to Members.

### **Club's financial standing**

5.12 The community stadium (facility) will be held by way of a 125 year lease from the Council with appropriate conditions and will operate independently from the football club by the creation of a separate legal entity. It is envisaged that this entity will have charitable status but further advice will be required to ensure that the new entity is established in the most tax efficient manner. Fully detailed forecasts and cash flows have been prepared for both the facility and the football club and these will be available in the Members' room prior to the meeting. These forecasts contain detailed notes as to what is included in the community stadium and also detail how both organisations will be financed and operated. A copy of the Club's Development Plan will be available in the members' room.

### **Planning**

5.13 The Arbour Vale site is being progressed as a mixed-use development allocation (Community, Sports, Residential & Education) in the Site Allocations Development Plan Document (DPD). Although the site is proposed to be allocated for mixed-use development it is not the intention to remove the site from the Green Belt or to designate the site as a Major Developed Site (MDS) in the Green Belt, which would either remove or reduce the current restrictions on development at the site. On this basis the site will continue to be treated as it is at present. Therefore, if the site is allocated for mixed-use development in the Site Allocations DPD but not removed from the Green Belt or designated as a MDS in the Green Belt, then the uses proposed for the mixed-use allocation of the site will be considered inappropriate development. It will therefore be necessary to demonstrate very special circumstances as part of any planning application submission in order for the proposals to be considered acceptable.

5.14 There are accordingly far higher risks than usual of an application being “called in” by the Secretary of State. Paradigm and STFC are nevertheless confident that they can demonstrate very special circumstances that will allow permission to be ultimately granted and advice received suggests that the inclusion of aspects of the development which provide direct community benefits may have a positive impact on the prospects of success. Given the acute problems associated with the provision of affordable housing in Slough it is considered that a case could be also be progressed demonstrating very special circumstances as part of a package of community benefits. However, there is no guarantee that a collection of community benefits will provide a sufficient case to allow for both a stadium and housing development. The issue of planning therefore remains a significant risk to the proposal’s prospects of success.

## Programme

5.15 Due to the uncertainties relating to the planning situation, it is expected that a receipt could not be achieved for up to two years. The capital programme reflects this position and does not assume a capital receipt (of £1.5m) until 2012-2013. The timescales in the table below are highly indicative:

Event	Indicative Date	Comment
Cabinet approval	Jul '09	
Detailed Heads of Terms agreed	Sep '09	
Legal agreement completed	Nov '09	
Detailed planning application submitted	Dec '09	
Planning Committee resolution by Council	Mar '10	Secretary of State to be notified and decision taken as to whether to allow or “call-in” the proposal.
Possible Call In by Secretary of State	Mar '11	Public Inquiry – could take between 6-12 months.
Start on site	Q2 '11	Includes commencement of residential development
Construct stadium & car parking (MC estimated 200 days)	Q1 '12	
Open new stadium	Q2 '12	

## 6 Comments of Other Committees

None

## 7 Conclusion

The proposed transaction provides an opportunity for the Council to bring Slough Town Football club back into the town to a new facility with a range of benefits for the wider community. It will also enable the development of a housing scheme with a high proportion of affordable dwellings and deliver a capital receipt to support the Council’s capital programme.

8 **Appendices Attached**

1. Site Plan
2. Community Benefits
3. Development Proposals

9 **Background Papers**

Cabinet Report: Arbour Vale, 11 February 2008.