

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Not for publication by virtue of the following paragraph(s) of Part 1 of Schedule 12 A (L.G.A. 1972):

Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

**[NOTE: DECLARATIONS OF INTERESTS**

In accordance with the Officer Employment Procedure Rules, Peter Bryant (Head of Democratic and Legal Services) has declared an interest in this item arising from him (i) being a member of the Cards Trust, the supporters' club for Woking Football Club and (ii) providing occasional unpaid assistance to Woking Football Club, e.g. acting as Returning Officer for the election of directors. The interest does not prevent Mr Bryant from advising the Council on this matter.

In accordance with the Officer Employment Procedure Rules, Leigh Clarke (Finance Director) has declared an interest in this item arising from her husband having a small shareholding in the Club. The interest does not prevent Mrs Clarke from advising the Council on this matter.]

**LAND MANAGEMENT – WESTFIELD AVENUE**

**Executive Summary**

This report sets out a number of detailed matters to enable the proposals for the developments at Kingfield Stadium and Egley Road to progress.

In summary it proposes that:-

- the Egley Road site be acquired by 4 January 2019;
- the contract provides for a stadium with a capacity of 10,000 of which some 70% should be general use seats;
- the Council acquires Kingfield Community Stadium for £2m;
- the ground rents for residential units should be nominal; and
- the Council provides a £250m Revolving Loan Facility to GolDev at a Margin of 2% over the Council's borrowing cost.

These revised arrangements are considered to be in the best interests of the Council.

**Recommendations**

The Executive is requested to:

**RECOMMEND TO COUNCIL That**

- (i) **the Egley Road site be acquired by 4 January 2019;**
- (ii) **the contract provides for a stadium with a capacity of 10,000 of which some 70% should be general use seats;**

- (iii) the Council acquires Kingfield Community Stadium for £2m;
- (iv) the ground rents for residential units should be nominal; and
- (v) the Council provides a £250m Revolving Loan Facility to GolDev at a Margin of 2% over the Council's borrowing cost.

#### Reasons for Decision

Reason: To enable the completion of development agreements with GoldDev.

The item(s) above will need to be dealt with by way of a recommendation to Council.

**Background Papers:** None.

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## **1.0 Introduction**

- 1.1 The Council at its meeting on 26 July agreed arrangements to take forward the redevelopment of the Westfield Avenue site.
- 1.2 This report seeks authority for minor changes to the detailed contractual arrangements to secure the development.

## **2.0 Egley Road Site Acquisition**

- 2.1 The approved arrangements provided for the acquisition of the Egley Rad site to be conditional upon Planning Consent. Now that the Site Allocation Development Plan has been approved by the Council and the Regulation 19 consultation published it is considered to be in the Council's interest to secure the site.
- 2.2 It is therefore proposed that the Egley Road site be acquired by 4 January 2019.
- 2.3 As proposed in the agreement the Council will receive new residential units upon completion of the development in lieu of the acquisition price.
- 2.4 The acquisition of £11m plus Stamp Duty and Costs will be financed from a PWLB 50 Year Annuity Loan with the initial repayment and interest being capitalised until the residential units are delivered as originally envisaged.

## **3.0 Woking Football Club Stadium Capacity**

- 3.1 The approved arrangements required the provision of a 10,000 seat stadium. In detailed negotiations Woking Football Club has requested that it would prefer a combination of seats and safe standing. Therefore rather than being too prescriptive about the number of seats it is proposed that the agreement incorporates a provision that it is a 10,000 capacity stadium of which some 70% should be general use seats.
- 3.2 It is therefore proposed that the contract provides for a stadium with a capacity of 10,000 of which some 70% should be general use seats.
- 3.3 There are no financial implications for the Council from this amendment.

## **4.0 Kingfield Community Stadium (KCS)**

- 4.1 Negotiations have been held with KCS representatives and a provisional sum of £2m has been agreed for its acquisition. Confirmation of formal acceptance is awaited. It was intended through the development that the Council would become the owner of the new stadium. By acquiring the stadium at this point it adds certainty to the proposed redevelopment.
- 4.2 The Council will receive new residential units upon completion of the development in lieu of the acquisition price.
- 4.3 It is therefore proposed that the Council acquires Kingfield Community Stadium for £2m.
- 4.4 The acquisition of £2m plus Stamp Duty and Costs will be financed from a PWLB 50 Year Annuity Loan with the initial repayment and interest being capitalised until the residential units are delivered as originally envisaged.

## 5.0 Ground Rents

- 5.1 The original development proposal provided for annual ground rents to be charged to each of the new apartments and for that to be index linked. The starting rent was in the order of £300/£350. It was envisaged that the Council would receive these ground rents which in capital value terms would equate to the one and a half times the value of its existing land holdings at Kingfield.
- 5.2 There has been much national controversy about excessive ground rents and there is a risk that it may not be possible to charge such rents. Officers have discussed this matter in the context of the Council's priority for delivery of homes that local people can afford consider that it would be better to limit the ground rent to a more nominal sum sufficient to protect the freeholder interests.
- 5.3 It is of course a matter of judgement but if the Executive agrees it will be necessary to determine that the intention is for there to be nominal ground rents and to seek to secure the value of the Council's land by receiving additional new residential units upon completion of the development in lieu of the one and a half times the existing land value.
- 5.4 The effect of this amendment is that the Council will not receive the value of Ground Rents in future but will receive residential units equal to one and a half times the value of its existing land value. This is dependent upon the financing proposal below.

## 6.0 Financing

- 6.1 The original proposals incorporated GolDev providing equity and raising finance in the market, initially to progress the scheme to Planning Consent and then to build it out. Officers have been trying to ensure that the development secures a minimum of 20% affordable homes as proposed by GolDev in addition to those dwellings that will be transferred to the Council in lieu of its investment (Egley Road, KCS and one and a half times existing land value). This can be achieved by the Council providing a Revolving Loan Facility for the development after it has obtained Planning Consent and the development has or is contracted to commence.
- 6.2 Based on earlier cash flow predictions it is likely that the Revolving Loan Facility would peak at some £200m plus; i.e. peak construction period prior to sale of residential units. The precise detail will not be known until the development receives a Planning Consent. Accordingly it is proposed that the Revolving Loan Facility be set at a maximum of £250m.
- 6.3 It is proposed that the Revolving Loan Facility is made available at 2% over the cost of Council Borrowing of the periods requested; these periods will vary between one and five years and be secured over the assets with a proportion of all disposals being used to reduce the Revolving Loan Facility. This will generate income for the Council in the short to medium term and can be set aside to be used to provide short term support to the Council's General Fund Budget from 2020/21 should it be necessary to do so.
- 6.4 It is therefore proposed to provide a £250m Revolving Loan Facility to GolDev at a Margin of 2% over the Council's borrowing cost.
- 6.5 This proposal is beneficial for the Council as it will generate several millions of pounds in interest rate margin, the precise amount will depend upon the project cash flow and development times frame. The accumulation of this revenue will provide a positive cushion for the Council during the uncertainty of Government Funding from 2020/21 and the risk associated with the take up of activity following the completion of Victoria Square, particularly parking revenues.

## **7.0 Implications**

### Financial

7.1 The financial implications are explicit in each section.

7.2 The proposals overall are beneficial to the Council.

### Human Resource/Training and Development

7.3 There are no human resources or training needs arising from this report.

### Community Safety

7.4 There are no community safety issues raised by this report.

### Risk Management

7.5 The proposal reduces risk of the failure and provides the Council with added security.

7.6 In the event that the GolDev scheme does not go ahead the Council should be able to develop the Egley Road site and fully recover its costs; however the acquisition of KCS, whilst less, would not provide a redevelopment opportunity.

### Sustainability

7.7 The acquisition of the land will strengthen the Council's position to demonstrate deliverability during any Examination in Public of its Site Allocations proposal.

### Equalities

7.8 There are no equality issues raised by this report.

### Safeguarding

7.9 There are no safeguarding issues raised by this report.

## **8.0 Consultations**

8.1 The Portfolio Holder has been consulted in the preparation of this report.

REPORT ENDS

