

DECISION TITLE: Sale of Land and Buildings at London Road to London Road End Properties Limited
ENTER NAME OF CABINET MEMBER EXERCISING DELEGATED POWERS: Councillor Hiller, Cabinet Member for Strategic Planning and Commercial Strategy and Investments in consultation with Councillor John Holdich, Leader of the Council, and Councillor Seaton, Cabinet Member for Finance
MONTH IN WHICH DECISION IS BEING TAKEN – March 2021
Deadline date: Capital Receipt required by 31st March to be included in 2020/21 accounts.

Cabinet portfolio holder: Responsible Director:	Councillor Hiller, Cabinet Member for Strategic Planning and Commercial Strategy and Investments in consultation with Councillor Holdich, Leader of the Council Councillor Seaton, Cabinet Member for Finance Pete Carpenter, Corporate Director Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: YES Unique Key decision Reference from Forward Plan: KEY/12OCT20/01
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	YES – Appendix 1 The Heads of Terms agreed between the Directors of London Road End Properties Ltd and the Council Appendix 2 – Commercial details of the request for the Rent Rebate from 1 st April Appendix 3 – Confirmation of land value post development
Is this a project and if so has it been registered on Verto?	NO

RECOMMENDATIONS

The Cabinet Member is recommended to:

1. Delegate authority to the Corporate Director Resources to dispose of the land and buildings at London Road to London Road Peterborough Properties Ltd in accordance with the Heads of Terms agreed on 10 February 2021.
2. Delegate to the Director of Law and Governance the authority to finalise and put in place any agreements and legal documentation necessary to give effect to these proposals, in consultation with the Corporate Director of Growth and Regeneration and the Corporate Director, Resources;
3. Approve the write off of the rent and associated leasing charges from 1st April 2020 and approve the forgiveness of the interest chargeable on the outstanding balance.

LEADER CONSULTATION

The Leader of the Council has been consulted and supports the sale and signed the initial heads of terms on 10 February 2021

1. PURPOSE OF THIS REPORT

- 1.1 This report is for the Cabinet Member for Strategic Planning and Commercial Strategy and Investments to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (q).
- 1.2 The attached report/background information is NOT FOR PUBLICATION in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to commercially sensitive information relating to the business affairs of the Council and London Road End Properties Limited. The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

2. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
---	-----------	----------------------------------	------------

3. BACKGROUND AND KEY ISSUES

- 3.1 The Council proposes to sell the land and buildings at London Road which includes the Weston Homes Stadium, the Allia Business Centre and ancillary land to London Road End Properties Ltd (LREPL) for £6,095,000.

The Council bought the stadium and the surrounding land in 2010 for £8.4 million.

Since then, the following financial value has been received by the Council:

1. £700,000 - value of London Road car park, which has been retained to provide 82 affordable city centre apartments through the council's Medesham Homes partnership.

2. £491,291 in business rates through the creation of the Allia Business Centre, which will continue to be collected in future years.
3. £2million in council tax for 295 Vista carbon zero homes, which will continue to be collected in future years at a rate of £400,000 per year.
4. £4.5 million in rent charged to Peterborough United Football Club
5. £383,268 of S106 receipts.

Total - £12.9 million including the agreed sale value of £5.265m and the rent free period in 2020/21).

3.2 However, significant social and economic value has also been delivered by the transaction through:

1. The future of the club and its city centre ground being secure, with the ability for the club to buy back the football ground at a later date. The transaction improved the stand and grounds for the club ensuring its continued success.
2. Due to this there is a continued positive impact on the City's economy. Posh adds an estimated £7million to the city's economy each year, through wages, buying goods and services from local companies and its supporters spending money outside of the ground.
3. 295 carbon zero households living in the city centre in the Vista development. A typical carbon neutral home saves the user at least £200 per year on energy bills according to recent news stories. Projecting this up this would suggest these homes save the residents of these homes £59k per year.
4. The building of the Allia Centre has resulted in 77 start-up and small businesses since its creation. Posh and the Allia are working together on a Technology Accelerator to develop learning opportunities and additional jobs in sports science, digital arts and software. This will link in with the nearby University of Peterborough.
5. 82 affordable city centre apartments to be developed through the council's Medesham Homes partnership on the London Road Car Park

3.3 The Council also invested £2.8m in the building of the Allia Centre, with the remainder of funding coming via the Government. The valuation of the Allia Centre is based on the ongoing long term rental agreement and its use to support Sciences, Technology, Engineering and Maths (STEM). This will continue with Technology Accelerator described above.

3.4 Since the purchase of the land in 2010 the Council have secured all of its aspirations for the Southbank Development area. It has successfully seen the delivery of the Carbon Challenge scheme, the Skills Centre has been completed and is operating, the City Centre Community Stadium (Moyes End Stand) has its new, all seater stand, the Fletton Quays development is nearing completion with the construction of the new Council offices and The Mill is in the process of being sold for re-development.

This sale was subject to a previous CMDN MAR20/CMDN/92, however due to COVID-19 this was unable to proceed.

3.5 The Council wishes to dispose of the premises now to secure a capital receipt within the financial year 2020/2021 and is seeking approval to sell to London Road Peterborough Properties Ltd (Company Number 13260429) which is owned by three shareholder Directors of the Football Club.

- 3.6 The commercial value of the stadium and associated properties have been valued by the Council's property advisors NPS Peterborough Ltd at £6m. The Council recognises the economic and social benefit provided to the City by the Football Club if it relocates to new site on the Embankment and provides additional facilities to the City. The proposed allowance given in this transaction reflects this ambition, but to secure the Council's interest, it has been time limited to 8 years. If the new stadium and additional jobs have not been completed by this date the deferred consideration, which has been secured by a first charge over the London Road Stadium, becomes repayable immediately.
- 3.7 The Council has planned for this receipt in the 2020/21 financial year. The Council has been advised that the Stadium and Allia Centre could be advertised successfully on the open market to secure a sale at market value, but that such a sale is not likely to be achieved to any other party in this financial year.

The Sale Terms agreed are:

Sale of Football Stadium	£4,150,000
Potential Economic Benefit Allowance	-£ 830,000
Sale of Allia Business Centre	£1,870,000
Sale of additional car parking land	£ 150,000
Discount applied to the valuation of the land	-£ 75,000
Total Sale Income	£5,265,000

Sale Income Schedule

Cash received before 31 March 2021	£4,100,000
Cash received on 31 March 2022	£ 233,000
Cash received on 31 March 2023	£ 233,000
Cash received on 31 March 2024	£ 233,000
Cash received on 31 March 2025	£ 233,000
Cash received on 31 March 2026	£ 233,000
Cash received on 31st March 2029 if not waived by reference to the Economic and Social Benefit paragraph below	£ 830,000

- 3.8 The deferred consideration payable on 31st March 2022, 2023, 2024, 2025, 2026 and 2028 will be secured by a first charge on the land, which will rank *pari passu* with charges held by LREP's funder. The Economic Benefit Allowance applied as deferred consideration in March 2029 will be subject to the Economic Benefit factors set out below.

Economic and Social Benefit Discount:

- 3.9 LREPL have asserted that they intend to make later investments in other locations within the City of Peterborough that will bring community value. If those other investments are made and can be demonstrated to have produced community economic value exceeding the monetary value of the land involved in those investments, by creating at least 85 additional fulltime equivalent jobs, the deferred consideration of £830,000 will be cancelled.
- 3.10 As part of the transaction a restrictive covenant will be placed on the ground requiring it to be used for professional football, thus securing the future of the Club's presence within the City. The contract includes an overage clause which will result in the Council receiving 40% and LREPL 60% on any increase in value of the land arising from future development planning approvals.

3.11 **Rent Outstanding**

As a condition of completion, the Football Club have agreed to pay all rent outstanding to 31st March 2020. The rent and associated leasing charges outstanding to 31st March 2020 is £1.6m and interest chargeable on that is £110k. The rent and associated leasing charges outstanding from 1st April to the date of 31 March 2021 of £483k is currently due and interest chargeable is £18k.

3.12 As part of the sale negotiations, the Council have agreed to seek approval for the write off of the debt outstanding from 1 April 2020 and forgive all interest chargeable on the balances outstanding. The justification for these terms are and overall operating loss of £1.4m due to:

- The playing of football without spectators and significant reductions in sponsorship levels since March 2020 due to Covid-19
- The cancelling of 2 major events at the stadium, again income generating, during the summer of 2020 due to Covid-19

Related Transactions

3.13 On 4 March as part of the MTFs 2020-2021, 2022-2023 Council agreed a capital grant to Peterborough United Football Club of £1,470,000 to fund the enhancement of the facilities at the Club's training ground and to increase community use. This project will have an immediate economic benefit and will promote the community outreach of the Club including immediate access by the school located next to the training ground. The grant will be available to the Club under normal grant conditions from the financial year 2020/2021.

4. CONSULTATION

4.1 Full consultation with Members, including local members and the Leader of the Council. The POSH Supporters Trust have been consulted throughout the process.

5. ANTICIPATED OUTCOMES OR IMPACT

5.1 The ownership of the stadium, the Allia Centre and the ancillary land will transfer to London Road Peterborough Properties Ltd and the Council will receive a capital receipt of £5.265m. The payment will be made as £4.1m by 31 March 2021, with the remainder in instalments over five years. The value of the economic benefit of a new stadium has been recognised by the Council in this transaction, however, if this has not been achieved by March 2029 £830k will be immediately payable to the Council.

6. REASON FOR THE RECOMMENDATION

6.1 The new majority owners of PUFC expressed an interest in purchasing the stadium and talks have progressed with these new owners over the last two years. This sale secures the long term aspiration for PUFC for development in the future.

This transaction will provide a capital receipt of £4.1m to the Council in the current financial year.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1
1. Council to retain ownership of the land and buildings, however this will restrict the future development of PUFC.
 2. The Council sell the freehold interest to a third party. This could delay the capital receipt for the Council into the following financial year 2021/22.

8. IMPLICATIONS

Financial Implications

- 8.1 The sale will provide capital receipt income for the Council, contributing to its MTF5 target and providing finance to support the Council's capital programme. The details of the sale are included in the main body of the report.

Legal Implications

- 8.2 The property will be in compliance with the Council's legal obligations in s123 Local Government Act 1972 and the Well Being Power under s2 Local Government Act 2000.

Equalities Implications

- 8.3 There are no Equalities Implications

Carbon Impact Assessment

- 8.4 Neutral overall – this decision has some positive and negative aspects which includes an overall reduction in energy use, water use and renewable energy generation. However, these impacts will only effect the Council's carbon emissions and not the city's and on balance is therefore felt to be neutral.

9. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

- 9.1 None

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

11. APPENDICES

- 11.1 Exempt Annex's
Appendix 1: Heads of Terms signed by the parties 10 February 2021
Appendix 2 – Commercial details of the request for the Rent Rebate from 1st April
Appendix 3 – Confirmation of land value post development