

To: City Executive Board

Date: 10 September 2015

Report of: Head of Community Services and Regeneration & Major Projects Service Manager

Title of Report: BMW Development and Horspath Sports Park

Summary and Recommendations

Purpose of report: To seek authority to agree a contract with BMW which would transfer their sports facilities to a new site enabling future development of their factory.

Key decision Yes

Executive lead member: Councillor Ed Turner
Councillor Mike Rowley

Policy Framework: Strong and Active Communities
Efficient and Effective Council

Recommendations: That the City Executive Board resolves to:

- 1) grant project approval to facilitate the transfer of the existing sports facilities on land owned by BMW at its Horspath Road, Cowley site ("the BMW Site") to adjacent land held by the Council ("the Council Land");
- 2) agree to the termination of the Council's current use of the Council Land, on the basis that it is to be used for the purpose of re-providing the sports and leisure facilities currently on the BMW Site.
- 3) grant delegated authority to the Executive Director, Community Services, in consultation with the Council's s151 and Monitoring Officers, to
 - a. negotiate and agree the terms of the arrangement with BMW, on the basis that the total payment received from BMW is not less than £4.9m (index linked as stated in the report) and that any contract agreed with BMW contains provisions to ensure that the Council receives an appropriate share in any uplift in value of the BMW Site on any future sale of it;
 - b. award, after undertaking a suitable procurement process and securing planning consent a contract to the selected supplier or suppliers, to

- undertake all construction work required for the re-provision of the sports and leisure facilities; and
- c. undertake a market testing exercise of the management of the re-sited sports facilities on the Council Land.
- 4) seek to protect and re-provide, where possible, all current use by sports clubs of the sports and leisure facilities on the BMW Site.
 - 5) recommend Council to resolve to agree a new capital budget of £4.9 million funded by the capital receipt from the sale of the land to fund the replacement of the facilities.

Appendices

- Appendix 1 Site Plan
- Appendix 2 Confidential appendix – financials
- Appendix 3 Risk Register
- Appendix 4 Equalities Impact Assessment
- Appendix 5 Confidential appendix – valuation report

Background

1. BMWs manufacturing plant is in the mainland locked by the ring road and sports pitches. BMW own the land which these pitches occupy and they have been in talks with council officers for a number of years regarding the steps they would need to take to expand their manufacturing operations into the area of the pitches.
2. To develop on sports fields, Sport England and our planning policy dictates that BMW would need to re-provide the sports pitches and ancillary facilities. The need for the pitches is identified in the City's Playing Pitch Strategy (2013-2016).
3. To enable this it is proposed that the facilities marked red in Appendix 1 are moved from the BMW owned land onto the blue council owned land. BMW want to make a one off payment and transfer the development and running of the replacement sports provision to the Council.
4. BMW would benefit from an increase in land value if the land occupied by the sports pitches becomes manufacturing land. On a land valuation basis the Council has an entitlement to a share of the enhanced value. BMW would also be expected to pay for the replacement of facilities on a like for like basis. However, replacement on a like for like basis provides a facility that is likely to have a residual revenue cost. The proposal in this report is that the Council uses the capital receipt from the land value uplift to extend the provision to provide a facility that is at least revenue neutral and a significant improvement to the leisure and sport offer of the City. The proposed land value payment and contribution to re-provision is contained in a 'not for publication' appendix as is the valuation report. The land value uplift share has been certified by the Council's valuation consultant as an appropriate sum.

5. BMW would need to obtain planning permission to expand their manufacturing plant. The replacement sports provision would also need planning permission to enable this arrangement to proceed. The Council's Sites and Housing Plan in Policy SP21 and SP49 recognises this possibility designating the Council's land as replacement pitches.
6. The current sports provision is managed by The Oxford Sport and Social Club (previously known as the Rover Sport and Social Club). Their lease ends in March 2016. The Sport and Social Club do not wish to manage the new sports site and will cease operating when their lease ends. This could result in BMW locking up the site and the facilities no longer being used.
7. The main user of the sports facilities is Oxford United, who use the site as their training facility. The club also has a classroom and gym on site that need to be re-provided. Losing this provision would impact the club's ability to compete at their current level.

The scheme

8. Appendix 1 shows the current site and an example of what the new facility could look like. The red line shows the land owned by BMW that they want to expand into and the blue line shows the Council owned land where the replacement sports facilities would be developed. The new facility would include replacement football and cricket pitches, classroom and gym. It is also intended that a new full size artificial grass football pitch and a number of smaller artificial pitches are included within the new site. The artificial grass pitches are far more usable than real grass pitches and can generate more income thus removing the likelihood of the new site needing a subsidy.
9. The proposal is that the City Council receive a one off payment from BMW and build and sub-contract the management of the new facility on the land edged in blue. This will enable BMW to expand its plant on the existing sports ground but passes the build cost and running cost risk to the Council. This risk has been mitigated by careful examination of costs and the business case. The business case is set out in the background paper to this report. To mitigate the risk of rising build costs the contribution to re-provision will be index linked to the time at which contracts are signed.
10. This new enhanced provision would enable the Council to increase community use, which would help to increase income and support its objective of encouraging more people to become active thus improving health and other social benefits.

Options

11. Members are presented with a number of options, the main ones are:

Options	Advantages	Disadvantages / Risks
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<i>Option 1:</i> Do not progress the project	The council is not exposed to any financial risks	Prevents BMW expanding Well used sports pitches are closed and not replaced
<i>Option 2:</i> Postpone a decision	More time to review the scheme	As above Costs to re provide the sports provision increase Oxford United potentially lose their training ground
<i>Option 3:</i> Progress the scheme as outlined in this report	Enables BMW to expand Provides enhanced facilities available for community use Protects well used sports pitches The council receive a payment to re provide the sports provision	The council take on the risks for developing the new provision and any on-going revenue subsidy

It is recommended that Option 3 as set out in this report is approved.

Legal Issues

12. The Council needs to formally cease the existing use of its land which is in part an agricultural tenancy. Suitable break clauses are in place to facilitate this.
13. Part of the land is also disused allotments and the permission of the Secretary of State is required to change their use.
14. A number of contracts need to be progressed in parallel to protect the interests of the parties:
 - A contract between the Council and BMW regarding the land value uplift and contribution to replacement facilities
 - A contract for construction of the new facilities, and
 - Potentially explore a contract with an operator.

Both the second and third contracts above would follow an appropriate procurement process.
15. The contract with BMW regarding the land value would include a “clawback” clause that would share any additional uplift in value with the Council should the land be developed for some purpose other than car manufacturing.
16. The Council would also seek an undertaking from BMW to maintain the existing facilities used by Oxford United until such time as the replacement is ready for use.

Financial Issues

17. The work that officers have undertaken, supported by a leisure consultant and valuation advice, has enabled a figure to be agreed with BMW which facilitates replacement provision which is unlikely to need Council subsidy. To enable this however, the replacement facility will require income generation aspects to be built in i.e. artificial grass pitches.
18. Further detailed work will be required to firm up costs throughout the procurement process.
19. Officers will be careful not to commit the Council until there is a high degree of confidence that the new facilities can be provided within the cost envelope available and without the need for any revenue subsidy.
20. To this end officers have also been having early discussions with potential operators re their operating models and options for ensuring as a minimum a revenue neutral position.

Environmental Impact

21. Low carbon technologies and building practices will be used within the scheme

Level of Risk

22. The risks and how they are being managed are shown in the risk register.
23. There is a relatively high level of risk around the estimation of the cost of the capital works and the provision of a facility that has no revenue cost. Officers will use market intelligence, procurement processes and the timing of contracts to mitigate these risks.

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Background Papers: Horspath Sports Project Stage 2 Draft Business Case Summary Report January 2014.

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