

**CABINET**  
**14 JULY 2020**

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**DARLINGTON SPORTS VILLAGE BUSINESS PLAN**

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**Responsible Cabinet Member – Councillor Kevin Nicholson,  
Health and Housing Portfolio**

**Responsible Director - Ian Williams  
Director of Economic Growth and Neighbourhood Services**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To update Cabinet on the Darlington Mowden Park's (DMP) proposal for a Darlington Sports Village (DSV), previously outlined in reports to Members at December 2017 and December 2018 Cabinet meetings and to seek agreement to the approach.

**Summary**

2. DMP, owners of the Arena, approached the Council in 2017 with a request to work collaboratively on a proposal for the Arena, the 23 acres owned by DMP and up to 42 acres of adjacent Council land.
3. In essence the proposal was to create a multiuser communal sports village (DSV) that will have an improved arena as a centrepiece asset with artificial pitches and reconfigured concourse for events, together with a centre of excellence for sports development and additional sports and leisure uses, accompanied by on site hotel, petrol garage station, and some food convenience shopping.
4. It was highlighted to Members that while the proposals had some merit and would appear to enable Darlington Arena to have a long-term sustainable future it was also stressed that the proposal had several significant risks.
5. Since December 2018, DMP has been preparing a proposal and completing a business plan to present to the Council to take the project forward. The business plan proposes Darlington Borough Council and Darlington Mowden Park Rugby Football Club enter into a Joint Venture to develop the Darlington Sports Village as a mixed-use development project delivering a range of sports, community and leisure facilities.
6. In order to fund and facilitate the development of the proposal Tees Valley Combined Authority (TVCA) agreed to fund feasibility and business planning work with a £0.450m grant and the Council contributed £50,000 for the completion of the business case.

7. DMP believe that the Sports Village concept is a real opportunity to develop a flagship asset for Darlington, delivering positive outputs and impacts across sport, events, education, business, community services, health, employment, tourism and inward investment. Although it is acknowledged that initial investment is required to develop DSV to a position which allows it to operate as this flagship asset, DMP believe that the development will become self-financing.
8. DMP have prepared a business plan detailing the proposition to relocate the Council's existing sports facilities located at Eastbourne to the DSV site, thus enabling construction of a mixed-use, residential-led development at the Eastbourne site.
9. The Council as a part owner of a 71-acre at Eastbourne will receive a capital receipt for the sale of the land to a property developer for the development of a residential and/or mixed-use scheme. The proceeds from the sale of Eastbourne freehold will be utilised to provide significant funds to construct the Sports Village with the remainder to be sought through debt and grant funding.
10. In October 2019 the Council received the detailed business case from DMP and subsequently commissioned Grant Thornton to carry out a due diligence exercise. This was to assess the deliverability of the scheme, test the key assumptions and the risks which could be potentially exposed to the Council. The due diligence report analysed the following areas in relation to the development of a Sports Village:
  - (a) A financial analysis of Darlington Mowden Park (DMP) and two subsidiary companies of DMP: Darlington Arena Limited ("DAL") and DMP Arena Trading Limited ("DAT").
  - (b) Review of key assumptions in the DSV business plan, including an opinion on reasonableness of these assumptions and the overall business plan (undertaken by Grant Thornton, together with Fourth Street and Faithful + Gould, our subconsultants).
  - (c) RICS valuation of tangible Joint Value inputs (undertaken by Avison Young, our subconsultants).
  - (d) The full due diligence report is detailed in the attached **Part III Appendix 1**.
11. Following receipt of the Due Diligence report officers have met with representatives of Darlington Mowden Park Rugby Club and explained that due to conclusions of the report it was highly unlikely that it could be recommended to Cabinet that the Sports Village proposal could be supported. While obviously disappointed DMPRC have accepted the findings and confirmed they would explore other options which would ensure the future of the rugby club.
12. DMPRC have now confirmed they have identified a new source of financial support which they have used to settle the outstanding £2.1m debt. This has therefore released the Council from the £2.1m guarantee which was agreed at the previous Cabinet meetings detailed above. It should be noted this does not in any way

compromise the ongoing interest the Council holds in the Arena land relating to overage payments and covenants on future use of the land.

### Recommendation

13. It is recommended that Cabinet:-

- (a) Given the risks detailed within the due diligence report on the Sports Village Business Case, Cabinet confirms that it is not progressing plans for a Joint Venture (JV) with Darlington Mowden Park on the development of a Sports Village.
- (b) The Council maintains its interest in the Arena and surrounding land in terms of overage payments and covenants relating to future land use.

### Reasons

14. The recommendations are supported by the following reasons:-

- (a) The conclusions of the due diligence report highlight several financial and reputation risks to the Council which cannot be mitigated.
- (b) Protects the Council from future financial implications and commitments.

**Ian Williams**  
**Director of Economic Growth and Neighbourhood Services**

### Background Papers

Grant Thornton – Due Diligence Report on Business Case for the development of Darlington Sports Village.

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S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no Health and Well Being Issues
Carbon Impact and Climate Change	There are no sustainability issues
Diversity	There are no diversity issues
Wards Affected	Eastbourne
Groups Affected	Not Applicable
Budget and Policy Framework	This report does not represent a change to the budget and policy framework
Key Decision	This is a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	There are no issues adversely affecting the Community Strategy
Efficiency	There are no impacts on efficiency
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

## MAIN REPORT

### Information and Analysis

15. Since purchasing the Arena in 2012 Darlington Mowden Park (DMP) have gone through a substantial transition as the operator of the Arena site. As part of the Arena's longer-term sustainability DMP have proposed the establishment of a Sports Village at the Arena site. The proposal is to create a multiuser communal Sports Village (DSV) that will have an improved Arena as a centrepiece asset with artificial pitches and reconfigured concourse for events, together with a centre of excellence for sports development.
16. DMP presented a business plan for the above proposal in October 2019. The business plan assumes a sale of the Eastbourne site to a housing developer for the construction of a mixed-use, residential-led development. Existing Eastbourne facilities will be relocated to the Darlington Sports Village (DSV). The proceeds received from the housing developer would be invested into the JV and subsequently used to fund construction of the DSV, combined with other funding sources. In terms of the DSV development, the current assumption is that the JV will procure a development partner that will be responsible for raising its own bridging finance and overseeing the project to completion.

### Proposal and Due Diligence Response

17. In order to mitigate risks and protect the Council's interests Grant Thornton were appointed to carry out a robust and comprehensive due diligence analysis of DMP's business plan. This exercise was completed in April 2020 and the findings have been shared with representatives of DMP. The full Grant Thornton report is detailed in the attached **Part III Appendix 1**.

### Financial Implications

18. Following confirmation from DMPPRC that they have identified a new source of financial support the Council's £2.1m guarantee agreed at previous Cabinet meetings is no longer required.