

<b>DECISION-MAKER:</b>	CABINET
<b>SUBJECT:</b>	DISPOSAL OF THE FORMER EASTPOINT CENTRE FOR TRAINING AND EMPLOYMENT USES.
<b>DATE OF DECISION:</b>	26 SEPTEMBER 2011
<b>REPORT OF:</b>	LEADER OF THE COUNCIL
<b>STATEMENT OF CONFIDENTIALITY</b>	
Appendix 1 of this report is not for publication by virtue of Category 3 (Information relating to the financial or business affairs of any particular person including the Council) of paragraph 10.4 of the Council's Access to Information Procedure Rules as contained in the Council's Constitution. It is not considered to be in the public interest to disclose this information because this Appendix contains confidential and commercially sensitive information relating to the property interests potentially involved in this matter.	

### **BRIEF SUMMARY**

The Eastpoint Centre, currently leased to Eastpoint Centre Ltd, is due to be passed back to the Council, following Eastpoint's relocation to its new Conference facility once completed, currently estimated mid – late October.

Apprenticeships Training Limited (ATL) is the largest training provider in the building services engineering sector and see the former Eastpoint site as an ideal opportunity to provide training based in Southampton for the wider region. This report sets out the proposed terms for the sale of the site to ATL.

### **RECOMMENDATIONS:**

Having complied with paragraph 15 of the Council's Access to Information Procedure Rules:

- (i) To approve the terms of disposal as set out of this report.
- (ii) To delegate the detailed terms of disposal to the Director of Economic Development after consultation with the Head of Property and Procurement and the Head of Legal Democratic Services.

### **REASONS FOR REPORT RECOMMENDATIONS**

1. To bring new training and employment facilities to Southampton.
2. To provide a solution regarding the former Eastpoint Centre and site that has the potential to add to the training provision in the City and may reduce costs to the Council.
3. To further regenerate the Thornhill neighbourhood through external investment.
4. This report is submitted for consideration as a General Exception under paragraph 15 of the Access to Information Procedure Rules in Part 4 of the City Council's Constitution, notice having been given to the Chair of Overview and Scrutiny Management Committee and the Public. In order to secure the completion of the lease and option agreement at the earliest possible date thereby mitigating any void period and potential security and running costs a decision is required as soon as possible and before the publication of the next

forward plan.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- The site has been considered as a residential development site, which remains a viable option, subject to planning permission. Historically, the site has been a centre for education and training and such continued use will provide benefits to the local and wider community and business (including the new Eastpoint Conference facility), which the alternative option would not. Whilst there is an operator willing to run a facility it is the preferred option.
- As the property was to remain vacant pending sale, the Council had agreed the option of demolition and retention of the site until the land value increases. This would keep the site safe and to reduce holding costs. Provision for demolition has been made within the Leaders Capital programme. However, these options have a longer implementation period than the preferred option detailed in this report and will not delivery any immediate training benefits.
- A lack of training and employment sites in Southampton means that the proposed disposal would be the preferred option to demolition of the building and its continued use will be advantageous to the local community and local business (including the new Eastpoint Conference facility).

## **DETAIL (Including consultation carried out)**

1. At its meeting of 21 December 2009 Cabinet approved revised terms for the disposal of the Eastpoint Centre. That decision was taken to facilitate the development of part of the site to provide a new Eastpoint Facility. Itchen College was granted an option to purchase the remainder of the site. Lack of funding resulted in that option not being taken up by Itchen College. In the intervening time consideration has been given to a range of options relating to the use of the building and site once it is vacated by the Eastpoint Centre Ltd in Autumn 2011.
2. ATL is a training company for people who already work, or want to work, in the Building Services Engineering sector. ATL is part of the MIS Group with an annual turnover in excess of £67m and is the largest training provider in this sector. It is also one of the longest standing training providers in the sector having been established 1992. The company provides a comprehensive range of training and assessment through four company-owned centres including one outside the City's boundary at Hedge End.
3. ATL now wish to relocate from their Hedge End premises to larger and more appropriate facilities. They are seeking an alternative site, and the former Eastpoint site at Bursledon Road is most appropriate. They propose to provide new training opportunities on this site. Such training facilities will complement the new Eastpoint Conference Centre which is due to open shortly.
4. The proposal is for ATL to initially occupy and run its business from the existing (old) Eastpoint building which will enable it to establish a presence on this site and with the local community. At the same time, it enables the

preparation and submission of a planning application for the development of the site into a new purpose built adult training facility and confirmation of funding to purchase the site and undertake the redevelopment. In addition the Council would no longer need to demolish and incur these costs. The new facility could be constructed along the Bursledon Road frontage, and / or include a partially refurbished existing building, whilst training continues to be provided.

5. The structure of the transaction will therefore be on the basis of a short term lease until September 2013 on a peppercorn rent allowing occupation of the existing building together with an option to purchase the site. If ATL exercise the option, they will pay the purchase price to the Council and ownership of the site will transfer from the Council to them. The completion of the lease and option agreement will be sought at the earliest possible date in order to mitigate any void period and potential security and running costs.
6. If ATL were not to exercise the option then at the end of the lease the Eastpoint Centre would revert back to the Council and could be sold in the open market. While officers will be working closely with ATL during the option period, there could be a "void period" between the property reverting back to the Council and the completion of a sale, in which case the Council would have to consider the options available to maintain site security and to minimise holding costs. It is important for the Council to explore the current opportunities whilst still planning to minimise costs through a potential demolition if a sale was not achieved by ATL by Sept 2013. Hence it is proposed to retain the option of demolition and the associated budgets that have been agreed by full Council on 14<sup>th</sup> Sep 2011.
7. Further work will be necessary for the City Council to be satisfied about the viability of ATL, assessment of risks, particularly about ATL securing funding to achieve a purchase.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

8. The Leaders Portfolio capital programme originally included provision of £130,000 to cover demolition costs. This was recently increased by Council on 14<sup>th</sup> September 2011 as part of the General Fund Capital Programme update. The revised budget is now £380,000 with delegated powers to increase this by a further £100,000 if necessary. This budget exists as a necessary contingency in the event that the transaction does not proceed and will remain in the capital programme until 2013/14 when the future of the site is determined. Use of this budget will be subject to separate approval to spend at that time in accordance with financial procedure rules.
9. There will be a capital receipt from the sale of the property and this is set out in Confidential Appendix 1. The existing level of capital receipt built into the Council's capital programme funding position is also set out in Confidential. 1
10. There are no revenue costs currently incurred by the Council as these are the responsibility of the existing occupier. Under the proposed lease this will continue to be the case as ATL will be responsible for all costs and outgoings under the lease to be granted to them.

11. The Council will be liable for revenue costs of site security and other holding costs in the event of a void period between the property reverting back to the Council and the completion of a sale. This will also be the case if ATL does not exercise the option to purchase the site, resulting in a void period between the end of the ATL lease and the completion of a sale.

**Property/Other**

12. The site is approximately 5.9 acres and the building about 75,000 ft<sup>2</sup>. If the site were to be sold on the open market it would probably be for residential development purposes. The property is due to be passed back to the Council following the relocation to new Eastpoint Conference facility, once completed, currently estimated to be mid – late October.

**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

13. The property is to be sold under section 123 Local Government Act 1972 and the offer meets the “best consideration” criteria..

**Other Legal Implications:**

14. None.

**POLICY FRAMEWORK IMPLICATIONS**

15. None.

<b>AUTHOR:</b>	Name:	Paul Mansbridge	Tel:	023 80832635
	E-mail:	Paul.mansbridge@southampton.gov.uk		

**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	Bitterne
------------------------------------	----------

**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

**Appendices**

1.	Confidential Appendix
2.	Site Plan

**Documents In Members' Rooms**

1.	None.
----	-------

**Integrated Impact Assessment**

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
--	----

**Other Background Documents**

**Integrated Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
------------------------------	--

1.		
2.		