

DECISION-MAKER:	CABINET
SUBJECT:	STATION QUARTER PROJECT FUNDING (SOUTHSIDE)
DATE OF DECISION:	18 SEPTEMBER 2012
REPORT OF:	LEADER OF THE COUNCIL

BRIEF SUMMARY:

The purpose of this report is to seek authority for the transfer of funds from the Town Depot capital budget and Station Quarter feasibility budget to a new Station Quarter Southside capital budget.

RECOMMENDATIONS:

Having complied with Rule 15 of the Council’s Access to Information Procedure Rules:

- (i) To approve, in accordance with Financial Procedure Rules, capital variations totalling £415,000 to the Leader’s Capital Programme, transferring £405,000 from the Town Depot and £10,000 from the Station Quarter feasibility budgets to the Station Quarter Southside budget.
- (ii) To approve, in accordance with Financial Procedure Rules, capital expenditure of £415,000 in 2012/13 from the Leader’s Capital Programme to carry out works at the Station Quarter Southside.

REASONS FOR REPORT RECOMMENDATIONS:

1. This report is presented as a general exception item in accordance with Rule 15 of the Access to Information Procedure Rules of Part 4 of the Council’s Constitution. Amendments to Regulations 5(2) and 9(2), 2012 require 28 days notice to be given to all Key Decisions comes into effect on 10th September 2012. It has not been possible to meet the requirement of 28 days notice.
2. The Council has undertaken feasibility work on the land shown as sites A, B and C on the attached plan and this is shown to have commercial viability in conjunction with the downgrading of Mountbatten Way and Western Esplanade. A strategy for securing funding for the downgrading of these roads is being pursued as part of the Council’s “City Streets” Bid which is targeting devolved funding from the DfT from April 2015.
3. The south side project is an integral part of the City’s evolving Station Quarter offering the prospect of major mixed use development and public realm improvements connected to the station itself and a start on the development of a mixed use Central Business District proposed in the City Centre Masterplan. The transfer of these funds will facilitate partnering arrangements with Network Rail, provide support for the City Streets bid, enable marketing and developer selection and provide a legal/financial framework for implementation.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED:

4. Postpone transfer of funds until the outcome of the City Streets bid is known: Rejected because the southside project is integral to the wider Station

Quarter programme and is being promoted in parallel to support the bid and offer a longer term development plan. Should the City Streets bid not prove successful then other funding opportunities will be targeted.

5. Not transfer the funds and sell the sites unconditionally once they are created by the road downgrade: Rejected because these are strategic sites requiring the cooperation of Network Rail and have the capacity to encourage further development longer term south of Western Esplanade towards the water front. The Council is well placed to facilitate this whereas an unconditional sale of the land could result in land banking or piecemeal development without regard to strategic public realm improvements and the wider context.

DETAIL (Including consultation carried out):

6. A recent feasibility study (carried out by Balfour Beattie, CBRE and Urban Initiatives) on the potential of the south side of the station to deliver major development has concluded;
 - That taking account of predicted demand from future development, there is capacity in the road network to accommodate a downgrading of Mountbatten Way and Western Esplanade to create major development sites;
 - That the sites can deliver high quality development incorporating hotel, retail, office and residential uses in conjunction with new public spaces and improved links to the City Centre. This would offer the City a much enhanced gateway and travel experience around its principal transport hub. A first phase immediately south of the station is proposed incorporating uses for which there is a known demand and which will act as a catalyst for the remaining phases.
 - That there is potential for this development to act as a catalyst for longer term change across the retail parks towards the waterfront including the proposed Central Business District.
7. A strategy to pay for the road downgrade is being progressed through a “City Streets” funding bid to the DfT and a decision is expected in April 2013. This, together with supporting Local Transport Plan (LTP) funding from the Council is expected to provide sufficient infrastructure funding from 2015. The downgrade will still provide a route for traffic (at lower speeds) and changes to junctions will improve its capacity. A traffic simulation model taking account of demand from projected new development in the City Centre and trends towards alternative forms of travel (bus, train etc) shows a small and manageable impact on the surrounding road network.
8. Consultation on the proposed development has been undertaken with neighbouring landowners and prospective developers. The majority of the land forming the three sites is owned by the Council however Network Rail have part ownership of sites A and B. Negotiations are underway with Network Rail regarding a partnering agreement with the Council to secure a developer. Once the developer is appointed there are prospects for a joint venture arrangement returning both land receipts and profit share to all parties. “Soft” market testing with developers has indicated that there would be demand for the sites when marketed.

RESOURCE IMPLICATIONS:

Capital/Revenue:

9. A total project budget to commission the necessary strands of work to the point of implementing the development is estimated to be £415,000 as summarised in the table below:

Estimated expenditure	Year	Amount
Partnering and cooperation agreements	2012/13	£55,000
Marketing and developer selection	2013/2014	£95,000
Legal agreements, planning and due diligence	2014/2015	£150,000
Legal agreements and mobilisation costs	2015/2016	£115,000
Total		£415,000

10. There is a total sum of £468,000 in the Town Depot development budget to support a previous scheme which is not proceeding. It is proposed to transfer £405,000 from this budget to a new Station Quarter Southside capital budget plus £10,000 from the existing Station Quarter feasibility budget. This leaves £63,000 in the Town Depot budget for feasibility work.
11. On implementation of the scheme, the sites will realise a capital receipt to the Council and profit share, to be determined.

Property/Other:

12. Whilst development plans are progressed site C, adjacent to the Police HQ, will be let for car parking and storage uses.

LEGAL IMPLICATIONS:

Statutory power to undertake proposals in the report:

13. Sites A and B are held under Highway powers. Site C is part Highway but the majority is held under Planning powers. The Council powers to promote this development are Section 123 Local Government Act 1972 and / or Section 1 Localism Act 2011.

Other Legal Implications:

14. None.

POLICY FRAMEWORK IMPLICATIONS:

15. The statutory Local Plan as part of Policy MSA2, identifies Southampton Central Station for comprehensive redevelopment including a transport interchange, major B1(a) office and/or C1 hotel development.
16. The Council's draft CCAP Policy (policy 20 MDQ Station Quarter) provides that development will create a high quality and distinctive gateway and point of arrival for the city centre including office, residential, hotel, leisure, appropriate food/drink and retail uses. At Central Station, enhanced transport interchange facilities will be created for rail, bus and taxi passengers, cyclists and pedestrians.

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	Bargate
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SUPPORTING DOCUMENTATION

Appendices:

1.	Plan of sites
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Documents In Members' Rooms:

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes
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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)

	Integrated Impact Assessment	
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