

Public Document Pack

Cabinet

Tuesday, 17th December, 2024
at 4.30 pm

PLEASE NOTE TIME OF MEETING

Council Chamber, Civic Centre

Members

Leader – Councillor Fielker

Deputy Leader and Cabinet Member for Finance and
Corporate Services – Councillor Letts

Cabinet Member for Economic Development – Councillor
Bogle

Cabinet Member for Environment and Transport -
Councillor Keogh

Cabinet Member for Children and Learning – Councillor
Winning

Cabinet Member for Compliance and Leisure– Councillor
Kataria

Cabinet Member for Communities and Safer City –
Councillor C Lambert

Cabinet Member for Housing Operations – Councillor A
Frampton

Cabinet Member for Adults and Health – Councillor Finn

Cabinet Member for Green City and Net Zero – Councillor
Savage

(QUORUM – 4)

Contacts

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BACKGROUND AND RELEVANT INFORMATION

The Role of the Executive

The Cabinet and individual Cabinet Members make executive decisions relating to services provided by the Council, except for those matters which are reserved for decision by the full Council and planning and licensing matters which are dealt with by specialist regulatory panels.

The Forward Plan

The Forward Plan is published on a monthly basis and provides details of all the key executive decisions to be made in the four month period following its publication. The Forward Plan is available on request or on the Southampton City Council website, www.southampton.gov.uk

Implementation of Decisions

Any Executive Decision may be “called-in” as part of the Council’s Overview and Scrutiny function for review and scrutiny. The relevant Overview and Scrutiny Panel may ask the Executive to reconsider a decision, but does not have the power to change the decision themselves.

Mobile Telephones – Please switch your mobile telephones or other IT to silent whilst in the meeting.

Use of Social Media

The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair’s opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council’s Standing Orders the person can be ordered to stop their activity, or to leave the meeting.

By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public. Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so. Details of the Council’s Guidance on the recording of meetings is available on the Council’s website.

Municipal Year Dates (Tuesdays)

2024	2025
25 June	7 January
16 July	28 January
27 August	25 February (Budget)
17 September	25 March
29 October	29 April
26 November	
17 December	

Executive Functions

The specific functions for which the Cabinet and individual Cabinet Members are responsible are contained in Part 3 of the Council’s Constitution. Copies of the Constitution are available on request or from the City Council website, www.southampton.gov.uk

Key Decisions

A Key Decision is an Executive Decision that is likely to have a significant:

- financial impact (£500,000 or more)
- impact on two or more wards
- impact on an identifiable community

Procedure / Public Representations

At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda.

Fire Procedure – In the event of a fire or other emergency, a continuous alarm will sound and you will be advised, by officers of the Council, of what action to take.

Smoking policy – The Council operates a no-smoking policy in all civic buildings.

Access – Access is available for disabled people. Please contact the Cabinet Administrator who will help to make any necessary arrangements.

Southampton: Corporate Plan 2022-2030 sets out the four key outcomes:

- Communities, culture & homes - Celebrating the diversity of cultures within Southampton; enhancing our cultural and historical offer and using these to help transform our communities.
- Green City - Providing a sustainable, clean, healthy and safe environment for everyone. Nurturing green spaces and embracing our waterfront.
- Place shaping - Delivering a city for future generations. Using data, insight and vision to meet the current and future needs of the city.
- Wellbeing - Start well, live well, age well, die well; working with other partners and other services to make sure that customers get the right help at the right time

CONDUCT OF MEETING

TERMS OF REFERENCE

The terms of reference of the Cabinet, and its Executive Members, are set out in Part 3 of the Council's Constitution.

RULES OF PROCEDURE

The meeting is governed by the Executive Procedure Rules as set out in Part 4 of the Council's Constitution.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or

b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

BUSINESS TO BE DISCUSSED

Only those items listed on the attached agenda may be considered at this meeting.

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 4.

Other Interests

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

AGENDA

1 **APOLOGIES**

To receive any apologies.

2 **DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

EXECUTIVE BUSINESS

3 **STATEMENT FROM THE LEADER**

4 **RECORD OF THE PREVIOUS DECISION MAKING** (Pages 1 - 4)

Record of the decision making held on 26 November 2024 attached.

5 **MATTERS REFERRED BY THE COUNCIL OR BY THE OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE FOR RECONSIDERATION (IF ANY)**

There are no matters referred for reconsideration.

6 **REPORTS FROM OVERVIEW AND SCRUTINY COMMITTEES (IF ANY)**

There are no items for consideration

7 **EXECUTIVE APPOINTMENTS**

To deal with any executive appointments, as required.

ITEMS FOR DECISION BY CABINET

8 **EXCLUSION OF THE PRESS AND PUBLIC - EXEMPT PAPERS INCLUDED IN THE FOLLOWING ITEM**

To move that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the exempt appendix to the following Item

Appendix 1 of this report contains information deemed to be exempt from general publication based on Category 3 (information relating to the financial or business affairs of any particular person (including the Authority holding the information)) of paragraph 10.4 of the Council's Access to Information Procedure Rules. In applying

the public interest test this information has been deemed exempt from the publication due to commercial sensitivity. It is not considered to be in the public interest to disclose this information as it would reveal information which would put the Council at a commercial disadvantage.

9 ASSET DEVELOPMENT AND DISPOSAL PROGRAMME, PHASE 2

(Pages 5 - 18)

To consider the report of the Cabinet Member for Economic Development seeking approval for the phase 2 of the Asset Development and Disposal Programme.

10 EXCLUSION OF THE PRESS AND PUBLIC - EXEMPT PAPERS INCLUDED IN THE FOLLOWING ITEM

To move that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the exempt appendices to the following item.

Appendices 1- 6 contains information deemed to be exempt from general publication based on Category 3 (information relating to the financial or business affairs of any particular person (including the Authority holding that information)) of paragraph 10.4 of the Council's Access to Information Procedure Rules. This includes details of a proposed transaction which if disclosed prior to contract, could put the Council or other parties at a commercial disadvantage.

11 WINCHESTER ROAD, WICKS UNIT □ (Pages 19 - 56)

To consider the report of the Cabinet Member for Economic Development seeking approval for the splitting of the Council owned unit at 271 Winchester Road to create two units, after which to grant two new leases.

Monday, 9 December 2024

Director of Legal and Governance

SOUTHAMPTON CITY COUNCIL
EXECUTIVE DECISION MAKING

RECORD OF THE DECISION MAKING HELD ON 26 NOVEMBER 2024

Present:

Councillor Fielker	-	Leader
Councillor Letts	-	Deputy Leader and Cabinet Member for Finance and Corporate Services
Councillor Bogle	-	Cabinet Member for Economic Development
Councillor Finn	-	Cabinet Member for Adults and Health
Councillor Kataria	-	Cabinet Member for Compliance and Leisure
Councillor Keogh	-	Cabinet Member for Environment and Transport
Councillor Savage	-	Cabinet Member for Green City and Net Zero
Councillor Winning	-	Cabinet Member for Children and Learning

Apologies: Councillor A Frampton and C Lambert

39. COURT LEET PRESENTMENTS 2024

Decision made: (CAB 24/25 46138)

On consideration of the report of the Director of Legal and Governance Cabinet approved the following:

- (i) that the initial officer responses to the Presentments approved by the Court Leet Jury, as set out in Appendix 1 of the report, be noted; and
- (ii) that individual Cabinet Members ensure responses are made to Presenters regarding presentments within their portfolios as appropriate and as soon as practically possible.

40. RESPONSE BY CABINET MEMBER FOR HOUSING TO PRIVATE SECTOR HOUSING SCRUTINY REPORT - HOW TO GET A BETTER DEAL FOR PRIVATE RENTERS IN SOUTHAMPTON.

Decision made: (CAB 24/25 46248)

On consideration of the report of the Cabinet Member for Housing Operations, Cabinet approved the responses detailed in Appendix 1 of the report for submission to the Overview and Scrutiny Management Committee.

41. ADDITIONAL LICENSING SCHEME FOR HOUSES IN MULTIPLE OCCUPATION (HMOS)

Decision made: (CAB 24/25 46250)

On consideration of the report of the Cabinet Member for Housing Operations, having received and agreed to the recommendation received from Overview and Scrutiny Management Committee (meeting held on 21 November 2024), Cabinet agreed the following:

- (i) To approve the proposals for a public consultation for an additional HMO licensing scheme in Banister and Polygon, Bevois, Bargate, Portswood, Swaythling, Bassett, Freemantle, Shirley and Millbrook wards. The proposed start of the consultation is from 3rd December 2024 for twelve weeks.
- (ii) To consider the outcome of the consultation at its meeting on 25th March 2025 and, if appropriate, designates the proposed area as being subject to additional HMO licensing, which will come into effect in May 2025, following required publication and advertising of scheme.

42. PRIVATE SECTOR LEASING SCHEME

Decision made: (CAB 24/25 46235)

On consideration of the report of the Cabinet Member for Housing Operations and having received representations from Councillor P Baillie, Cabinet agreed the following:

- (i) To approve the Private Sector Leasing Scheme proposal. The scheme will aim to meet some of our current demand for additional temporary accommodation which will assist in reducing our use of costly emergency accommodation. This scheme is one of the interventions that will form part of our homelessness transformation programme.
- (ii) To grant delegated powers to the Director of Housing following consultation with and the Executive Director of Enabling Services, Executive Director of Growth and Prosperity, the Director of Legal and Governance and the Cabinet Member for Housing, to do anything required to support the implementation of the proposal and to make minor amendments as required.

43. STARTPOINT SHOLING DAY NURSERY

Decision made: (CAB 24/25 46237)

On consideration of the report of the Cabinet Member for Children and Learning and having received representations from Sue Atkins, President of Southampton and South West Hampshire Trades Union Council, Ali Haydor, GMB Union, Carole Charrett, Nursery Assistant Startpoint Sholing and Councillor P Baillie, also having considered and agreed to recommendations made by Overview and Scrutiny Management Committee (meeting held on 21 November 2024), Cabinet agreed the following:

- (i) To approve the closure of Startpoint Sholing Childcare Nursery with immediate effect.
- (ii) To delegate authority to the Executive Director of Community Wellbeing, Children and Learning, following consultation with the Executive Director of Enabling Services, to take any action necessary to give effect to recommendation (i) including but not limited to undertaking any relevant HR and contractual processes.

44. CORPORATE PERFORMANCE REPORT

Decision made: (CAB 24/25 47275)

On consideration of the report of the Leader of the Council and having received representations from Councillor P Baillie, Cabinet agreed the following:

- (i) To note the Quarter 2 performance report.
- (ii) To Note performance issues raised, actions being taken and consider any areas for focus or further investigation.

45. FINANCIAL POSITION UPDATE

Decision made: (CAB 24/25 46231)

On consideration of the Cabinet Member for Finance and Corporate Services, Cabinet agreed the £1.85M adjustments to be made to directorate budgets to reflect sustained favourable variances reported at month 7 of 2024/25 due to transformation measures, to be transferred to centrally held contingency to reduce the reliance on Exceptional Financial Support (EFS), as set out in paragraph 6 of the report.

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DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	ASSET DEVELOPMENT AND DISPOSAL PROGRAMME – Phase 2
DATE OF DECISION:	17TH DECEMBER 2024 (CABINET) 26th FEBRUARY 2025 (COUNCIL)
REPORT OF:	COUNCILLOR BOGLE CABINET MEMBER FOR ECONOMIC DEVELOPMENT

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
<p>Appendix 1 of this report contains information deemed to be exempt from general publication based on Category 3 (information relating to the financial or business affairs of any particular person (including the Authority holding the information)) of paragraph 10.4 of the Council’s Access to Information Procedure Rules. In applying the public interest test this information has been deemed exempt from the publication due to commercial sensitivity. It is not considered to be in the public interest to disclose this information as it would reveal information which would put the Council at a commercial disadvantage.</p>
BRIEF SUMMARY
<p>The Council approved the Asset Development and Disposals Programme (ADDP) at Cabinet on the 19th March 2024 and Council on the 20th March 2024. This is an important and transformational programme for the authority, that will deliver asset development and disposal opportunities over the next 5 years. The programme aims to support the council’s growth agenda, alongside realising capital receipts to support the financial position of the council. This programme’s focuses on “Driving Southampton’s growth through the retention, development or disposal of the council’s corporate, operational and investment portfolio, whilst delivering capital receipts.”</p>
<p>This report focuses on the next phase of assets to be disposed of (phase 2) and seeks approval to a recommended list. The list has been drawn up following work analysing assets that are suitable for disposal using the following criteria:</p> <ol style="list-style-type: none"> a. They are no longer required for operational delivery; b. The net present value of disposal is positive; c. The asset is not required for regeneration purposes.

The net book value of the 32 assets being proposed for disposal is over £5M. The report also recommends 6 assets for development purposes.

RECOMMENDATIONS TO CABINET:

	(i)	To approve the Phase 2 assets recommended for disposal, development or regeneration within the Asset Development and Disposal Programme as detailed in Appendix 1.
	(ii)	To delegate authority to the Executive Director Growth and Prosperity, to progress and implement asset disposal, development and regeneration opportunities within the scope of the ADDP Programme (as outlined in Appendix 1). This decision will be taken following the required consultation with the relevant members and statutory officers.

RECOMMENDATIONS TO COUNCIL:

	(i)	To approve Phase 2 of the Asset Development and Disposal programme (as detailed in the confidential Appendix 1) which includes assets with a combined value at over £5m.
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REASONS FOR REPORT RECOMMENDATIONS

1.	<p>The assets recommended for disposal or development in Phase 2 of ADDP, as outlined in the confidential appendix are being recommended for approval following extensive engagement with relevant services to align with their transformational initiatives, localised service assets review and early market assessments, consultation with officers and relevant members to build on the intelligence gathered within the past 18 months and select the most appropriate set of assets.</p> <p>The receipts from these disposals are required to help fund the council’s transformation programme and exceptional finance support requirement.</p> <p>The rationalisation of the council’s asset portfolio will also reduce the future repairs and maintenance liabilities reducing the requirement for further capital and revenue funding.</p> <p>Lastly and perhaps more importantly it also releases assets that can support the city’s regeneration, supported by the work of the Renaissance Board.</p>
2.	<p>The report also seeks approval for delegated powers to officers following consultation with relevant Cabinet Members to progress discrete asset disposals and asset development or regeneration opportunities within the scope of the ADDP. A thorough decision making, and governance process is in place under delegated powers as outlined within the March 2024 Cabinet Report, (recommendation (iv)). The delegated power process will ensure the council can take advantage of the market offers and ensure a speedy, yet robust and transparent decision-making process.</p>

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3.	<p>Option 1. Do nothing:</p> <p>The council maintains a sizeable asset portfolio containing c.330 corporate and operational properties, and further 200 investment and commercial properties. Assets within the General Fund incur substantial maintenance and operational costs, including energy, insurance and</p>
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	<p>business rates. If the council does not act now and aim to reshape or condense its portfolio of assets by either disposing of inefficient or ageing assets or redevelop and regenerate sites across the city, there is a risk that properties may fall into disrepair due to lack of adequate investment. There is also a risk that the council will therefore be unable to meet its future investment requirements to address its ongoing maintenance liabilities for an oversized and ageing portfolio.</p> <p>Over time these liabilities are likely to compound and would require continued significant financial investment, that would not be sustainable over the long-term. Doing nothing will also fail to meet the council’s capital receipts targets to ensure the financial benefits and fiscal stability of the Council.</p> <p>Option 2: Gain individual disposal approval of assets from Cabinet/ Council.</p> <p>This approach is not sustainable when considering the volume of assets in scope for disposals or development within a phased programme such as this.</p> <p>Option 3: Disposal of assets identified in phased approach.</p> <p>In March 2024 Council approved an ADDP including Phase 1 asset list. This programme is now underway with disposal or development proposals being progressed under delegated authority, as stated in that report. Phase 2 is proposed in this report. Undertaking the disposals in this phased manner allows for a planned and manageable approach in undertaking a wholesale review of the council’s assets.</p> <p>Option 4: To propose an alternative list of assets</p> <p>All assets are being reviewed in a phased manner. The phase outlined in this report is the next tranche of assets to be assessed. Savills have now been engaged and a marketing programme is in place offering market assessments for each disposal and exploring the right marketing strategy, through to completion of sale or proposing assets suitable for development schemes as appropriate. To amend the list at this stage would cause delays in securing the capital receipts.</p> <p>Therefore, the recommended course of action is to proceed with Option 3.</p>
DETAIL (Including consultation carried out)	
4.	<p>ADDP is a complex programme which has great significance to the council’s transformation agenda. The ambition of this programme is to develop a capability by which the authority can assess and determine whether to retain, develop or dispose of council property assets. This will create the optimum mix of assets class types and right-size portfolio that responds to the long-term needs of the organisation. This portfolio will be able to stimulate growth in the city and generate financial benefits that contributes to the fiscal stability of the council.</p>

	<p>One of the most significant outcomes of the ADDP is to realise multimillion pounds worth of capital receipts, to benefit the future financial stability of the council by funding any use of the capitalisation direction the government is minded to issue as part of the council's Exceptional Financial Support (EFS).</p>
5.	<p>The council's transformation initiative has a clear vision for a streamlined and sustainable organisation, operating from a reshaped portfolio of Council's owned assets, that are fit for purpose, well maintained and managed effectively. To this end, the ADDP is aiming to achieve a significant reduction in the council's portfolio of assets including to reduce its operating costs and achieve its capital receipt target over the next 5 years.</p> <p>Disposal of operational assets will inevitably mean that services may need to be relocated and consolidated and/or other appropriate locations for their service, subject to consultation.</p>
6.	<p>Current position</p> <p>The Council owns an extensive range of freehold and leasehold properties across the city. Its corporate and operational portfolio alone includes over 330 assets, ranging from office accommodation and depots, leisure centres, museums, heritage and tourism assets (including medieval town walls, historic vaults and monuments), libraries, car parks and adult social care facilities to Family Hubs, early years facilities, schools and cemeteries. The total value of the corporate and operational portfolio on the 31st of March 2024 as stated in the Statement of Accounts was well over £200m (excluding schools).</p> <p>This figure is an accounting book value, and it does not necessarily equate to the value of an asset in an open market, particularly when considerations around planning or inherent statutory legislation exist e.g. historic building/ archaeological designations that may constrain development, where the market value would be adversely affected.</p>
7.	<p>The Council also possesses a varied commercial and investment property portfolio. These buildings include shops and retail units, industrial units/ warehouses, pubs, hotels, offices, student accommodation and parcels of land. As of 31st March 2024, as stated in the Statement of Accounts, this portfolio was holding about 200 assets valued at over £100m.</p>
8.	<p>Asset disposal process. The Council has commissioned Savills as its advisory agents to support with marketing of assets earmarked for disposal, undertaking market appraisals, valuations and establishing disposal strategies to drive the best marketing campaign for each asset and attain the most advantageous offers from the current market. Savills will execute market appraisal assessments for assets identified for disposal or development to ascertain the most appropriate route to market and achievable value (via soft market testing, open market sale, auction, etc) to secure best deals.</p> <p>Once the best offer is agreed, vetted and recommended by Savills to the Council, an RICS Red Book Valuation will be required in accordance with</p>

	<p>S123 Local Government Act 1972, to demonstrate best consideration is obtained for that particular asset. A Delegated Decision Notice with report will be produced for each asset recommended for disposal containing key information in readiness for approval. This will then provide the basis for the final delegated approval for the disposal of that asset. Then the officers can proceed with the legal and financial transaction to complete the sale.</p> <p>The outlined corporate and operational properties to be considered for disposal (Appendix 1, Table A), along with properties with significant regeneration and growth potential (Appendix 1, Table B).</p>
9.	<p>Development and regeneration opportunities. A separate exercise is taking place when evaluating buildings within the Council’s commercial and investment portfolio. A commission to review the Council’s investment portfolio has identified opportunities for development / regeneration and business cases will be developed in the coming months to underline the ambition of each site.</p> <p>The outlined investment properties to be considered for disposal (Appendix 1, Table A), along with those properties with significant regeneration and growth potential (Table B).</p>
10.	<p>An assumption has been made that some sites identified for development or regeneration schemes within this programme, have a much longer implementation timeline before realising a capital receipt but would be capable of securing, an enhanced value because of the development potential, compared with a straight disposal now. Therefore, the timeline for the realisation of benefits may fall outside the timeline of this programme.</p>
11.	<p>The commercial and investment sites identified in Appendix 1 (Table B) are sites that have the greatest capacity to create change in the city and maximise the opportunity for growth, support master planning and the work of the Renaissance Board, including generation of capital receipts included within £85m target, new council tax and business rates. Finance officers have implemented a methodology to determine the financial benefits of disposal now versus retention of council-owned properties. The methodology used is detailed in Appendix 2.</p>
12.	<p>The Council is looking to procure a Strategic Partner to define opportunities for asset development and regeneration across Southampton in line with its master planning ambitions. This commission will be a critical activity alongside the ADDP, and it will be the framework by which enhanced capital receipts will be realised by the Council.</p>
13.	<p>Consultation on the future disposal or development of council-owned sites will be carried out where appropriate. Proposals for disposal of assets used by the public will be subject to Equality and Safety Impact Assessments (ESIA) and potential mitigation measures under the Equalities Act 2010.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	

14.	Capital receipt (income proceeds from sale of property, plant and equipment over £10,000) is reserved for capital investment or the reduction of debt.
15.	<p>Currently rental income from properties within the council's investment portfolio is included as income within the Growth & Prosperity Directorate revenue budget. The disposal of any income generating asset will need an accompanying financial assessment to demonstrate that the benefit of the capital receipt being used to avoid borrowing costs, outweighs any reduction in revenue income. This assessment will be used to inform disposals decisions, and the delegation decision for the disposal.</p> <p>The potential loss of revenue income from the disposal of investment property has been considered as part of future financial planning, however, the Growth & Prosperity Directorate budget level will need to be adjusted to offset the loss of the income generated by assets disposed of.</p>
16.	The CIPFA Prudential Code for Capital Finance in Local Authorities was updated in 2021. One of the key updates was regarding investments for service purposes. The council as a net borrower, due to the size of the current capital programme, is now required to consider an exit strategy from all investments before borrowing is taken. An assessment needs to be made as to whether the investment is being held for regeneration or other service purposes or primarily for financial return. 'Primarily for financial return' means that the main reason why the investment was entered, or is now being held, is to earn money.
17.	<p>The direct financial benefits from ADDP will be the capital receipts generated and revenue savings from having a reduced borrowing requirement and reduced operational and commercial estate. These savings will be fully costed and incorporated into the Medium-Term Financial Strategy as the detailed disposal programme is developed.</p> <p>The indirect financial benefits will include potential future increases in council tax gains and business rates receipts where sites are redeveloped to create new dwellings or premises, and how they support the growth and prosperity locally and alignment to the city vision and master plan.</p>
<u>Property/Other</u>	
18.	The Council has an obligation to comply with S123 Local Government Act 1972 to secure best consideration reasonably obtainable on any disposal. It is critical that RICS Red Book valuations are secured across all sites recommended for disposal or development. This is a significant programme which will instigate a requirement for large-scale disposals requiring resource and expertise beyond the staffing levels within the council's current Valuations and Estates team. Properties of interest included in this report are those owned freehold or leasehold by the Council.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
19.	In addition to general powers under the Localism Act 2011, as previously outlined, the council has an obligation to comply with S123 Local Government Act 1972. Where best consideration is less than £2,000,000 below the market valuation, authorisation for transfer can be granted

	by the council in accordance with a General Disposal Consent approved by the Secretary of State providing the transfer contributes to the promotion/ improvement of economic well-being, promotion/ improvement of social well-being or the promotion/ improvement of environmental well-being.
20.	Where best consideration is greater than £2m below market valuation then a request to the Secretary of State for authorisation must be obtained. If such situations arise, they will be managed on a case-by-case basis after consultation with appropriate members. Such disposals will also be subject to review under Subsidy Control legislation to ensure the Council is not conferring an advantage on one undertaking over another by purchasing property at an economically advantageous price.
<u>Other Legal Implications:</u>	
21.	The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and best value.
22.	Under s.111 of the Local Government Act 1972 the council has the power to do anything incidental to the exercising of any of its functions. The general power of competence under section 1 of the Localism Act 2011 gives local authorities a broad range of powers "to do anything that individuals generally may do" subject to limits within other legislation and there are no adverse limits on the proposed scheme under the current legislation.
23.	Proposals for disposal of assets used by the public will be subject to Equality Impact Assessments and potential mitigation measures under the Equalities Act 2010, in particular s.149 (the 'Public Sector Equality Duty') and detailed impact assessments will be required for each individual disposal proposal. Similarly, a consultation process will be undertaken where appropriate when proposal for disposal of public assets is being considered.
RISK MANAGEMENT IMPLICATIONS	
24.	There is a robust risk management approach as part of the ADDP, in relation to this implementation programme through the development and ongoing review of the programme RAID log (risks, assumptions, issues, and dependencies) and thorough risk management developed for individual buildings. The significant risks within the programme include: 1. Appropriate capacity to deliver - Adequate resources may not be procured promptly to enable asset development / regeneration or disposal work volume to progress at pace to meet programme desired timelines and outcomes. This risk will be mitigated by ensuring the council can continue to procure the necessary expertise through various frameworks to enable workstreams activities such as: legal, valuations, disposals, surveying, procurement expertise, to be supported appropriately. Resource

	<p>requirements will be continuously reviewed/ monitored by the Programme Manager ensuring no loss of programme momentum.</p> <ol style="list-style-type: none"> 2. Robust governance - Appropriate programme governance, including securing programme delegation's approvals to achieve robust/ swift decision making, is inconsistent. The required delegations will be managed proactively by the Programme Manager and sought through consultation with senior officers and elected members as outlined in this paper. 3. Best consideration - The council will achieve best consideration from disposal of its assets. The council will procure the correct level of qualified expertise resources to ensure statutory obligations are achieved around best consideration. Decisions are made supporting the long-term regeneration and future growth of the city, balanced against the need to achieve an ambitious disposals target. 4. Securing a strategic partner - to assess the opportunity for development and regeneration of sites, and the production of a strategy, which aligns with the council's broader master planning ambitions will be key activity within the programme. However, its delivery timeline may not align with the ADDP delivery plans. Programme Manager will monitor existing and future dependencies to re-align delivery plans. 5. Economic uncertainty – Current and prevailing market conditions may prevent a sale or disposal from achieving its maximum potential or vice versa in a strong market.
25.	Any disposal of assets within the programme needs to be carefully planned and executed. The preparation stage is important, requiring an assessment of each building and its profile. Various factors need to be considered including the current use, condition, title, statutory compliances, and planning status etc. It will also be important to undertake a current market appraisal with valuation of each property via Savills.
POLICY FRAMEWORK IMPLICATIONS	
26.	The proposal in this report reflects the Council's Corporate Plan 2022-2030 and aspirations around a 'prosperous city'. It also supports the council's Local Development Plan (2013-2026) and Southampton City Council Housing Strategy (2016-2025).

KEY DECISION?	Yes (for Cabinet decision)
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Detailed list of corporate, operational, investment and commercial properties for disposal and development within the Phase 2, ADDP (confidential)

2.	Financial Methodology
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Documents In Members' Rooms

1.	Not applicable
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
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Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	Yes
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Other Background Documents

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.	

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Document is Confidential

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Appendix 2

Financial Methodology

This financial analysis and the methodology applied enables a comparison of whether it is better to dispose of an income generating asset and realise the capital receipt now or continue to hold the asset and receive the income over the life of the building.

The analysis assumes the capital receipt will be used instead of borrowing to fund the capital programme. This enables a comparison to be made on whether, over the life of the building, the saving on borrowing is greater than the estimated rental income and residual value of the building. As the analysis is based on cashflows over, generally, 25 years, the methodology incorporates a net present value (NPV) analysis of the future income, and the residual value of the asset compared to the savings on borrowing. This analysis uses a discount factor to present the future cash flows as a value as at today.

The model includes the net position of the income received over a 25-year period plus the residual value of the asset, less potential savings on borrowing costs, along with any capital refurbishment costs (if they are expected to be required to the building within the period). Investment properties are generally let on a full repairing lease basis, so most repairs and maintenance costs are expected to be funded by the leaseholder.

The NPV analysis discounts future cash flows to the present value based on the premise that the value of the future cash flows decrease over time due to the time value of money. The discount rate used is based on the cost of borrowing of £80k per £1m which works out at around 6.2%.

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DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	FUTURE PROPOSAL FOR 271 WINCHESTER ROAD
DATE OF DECISION:	17 DECEMBER 2024 / 26 FEBRUARY 2025
REPORT OF:	COUNCILLOR BOGLE ECONOMIC DEVELOPMENT

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director Growth & Prosperity	
	Name:	Stephen Haynes	Tel: 023 8083 2400
	E-mail	stephen.haynes@southampton.gov.uk	
Author:	Title	Chartered Surveyor	
	Name:	Amal Uddin FRICS	Tel: 023 8083 2295
	E-mail	Amal.Uddin@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
<p>Appendix 1- 6 contains information deemed to be exempt from general publication based on Category 3 (information relating to the financial or business affairs of any particular person (including the Authority holding that information)) of paragraph 10.4 of the Council’s Access to Information Procedure Rules. This includes details of a proposed transaction which if disclosed prior to contract, could put the Council or other parties at a commercial disadvantage.</p>	
BRIEF SUMMARY	
<p>The purpose of this report is to seek approval for the splitting of the unit at 271 Winchester Road currently occupied by Wickes into two units and to pursue the route of entering into an arrangement for this to be funded as part of a lease arrangement.</p>	
RECOMMENDATIONS: FOR CABINET	
(i)	The Cabinet approve the splitting of the unit at 271 Winchester Road into two units as outlined in the commercial and financial terms in Appendix 1.
(ii)	That Cabinet delegate finalising the detail of the terms of the splitting of the Unit and the Lease to the Executive Director of Growth and Prosperity following consultation with the Executive Director for Enabling Services and the Director of Legal and Governance.
(iii)	That Cabinet delegate approval for any other matters necessary to finalise this transaction in association with this proposal to the Executive Director of Growth and Prosperity following consultation with the Executive Director for Enabling Services and the Director of Legal and Governance.

	(iv)	Subject to any proposal falling within Cabinets financial authority, that Cabinet delegate approval to dispose of this property in the future to the Executive Director of Growth and Prosperity following consultation with the Executive Director for Enabling Services and the Director of Legal and Governance (if best consideration can be demonstrated for a disposal compared to retention of the property).
RECOMMENDATIONS: FOR COUNCIL		
	(i)	To retain the site without making a direct capital contribution, but via a discounted rental arrangement and in lieu of this payment, Aldi will receive a discounted rent over a 10-year period.
	(ii)	Aldi will take a new 20-year Full Repairing and Insuring lease, subject to five yearly upward only rent reviews and Wickes will surrender the surplus accommodation and take a new Full Repairing and Insuring lease of the remainder for a term of 15 years.
	(ii)	That, in the event of a disposal valued in excess of Cabinets financial authority to approve a disposal, Council delegate approval to dispose of this property in the future to the Executive Director of Growth and Prosperity following consultation with the Executive Director for Enabling Services and the Director of Legal and Governance (if best consideration can be demonstrated for a disposal compared to retention of the property).
REASONS FOR REPORT RECOMMENDATIONS		
1.	The unit at 271 Winchester Road which is part of the Councils investment portfolio would be more desirable for future lettings if it was split in two. The recommended approach outlined in this report (see Appendix 1) and the Appendices enables the splitting of the unit through the agreement of a lease rather than requiring the Council to fund these works from its own capital budget.	
2.	The proposal offers the City Council an opportunity to be able to improve the physical condition of a property, reconfigure the current layout, which is not compatible with market demands with two tenants that offer strong covenants.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
3.	The alternative options are also set out in the Appendix 1.	
DETAIL (Including consultation carried out)		
4.	The Council acquired the unit in 271 Winchester Road in 2016 for £12,090,000, it was purchased as part of the council's investment portfolio. The unit is 50,295 sq ft / 4,674 sqm of retail warehousing as part of a small retail park. The unit is currently occupied by Wickes under a protected lease due to expire on 28 th September 2027. Further lease details are in Appendix 3.	
5.	In November 2021, a Business Case was prepared which made a case for the splitting of the unit at 271 Winchester Road into two smaller units. The business case stated that this work was required to support the effective asset management of the portfolio and improve the assets rental return and capital value.	
6.	The report outlined several benefits of this decision, notably reducing the Council's dependence on a single tenant for such a large unit. By splitting the unit, the Council would enhance the combined covenant supporting the asset, create more marketable space, and improve future growth and income stability. This strategy would boost both	

	short and long-term rental income while increasing the asset's secured income term and capital value.
7.	The business case resulted in the Council allocating £1.837M in capital funding for the scheme in February 2022. However, in March 2024, the capital programme was reviewed for potential savings, and the £1.837 million was removed.
8.	During the period between February 2022 and March 2024 progress had been made with the existing and a potential tenant of the new unit. Cost had been incurred by external parties developing the proposal as well as with planning matters and both tenants were keen to continue. The current deal involves Aldi funding the development of the site by way of a loan contribution in lieu of the Council's financial contribution, which would be as a capped discounted rent applied for a period of 10 years and the final detail of this arrangement is outlined in Appendix 1. This involves the tenant carrying out the works (See Appendix 6) and incurring the cost of splitting the unit and the associated costs.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
9.	Appendix 1 Outlines the financial analysis of the options available and the recommended approach. The recommendation is to fund the splitting of the unit through the lease terms providing a capped discounted rent.
10.	The income for this unit will temporarily reduce for a period of 10 years, after which it will increase, and the City Council will benefit from rent being received from two units. See Appendix 1.
<u>Property/Other</u>	
11.	Unit 271 is part of the Council's investment portfolio, the unit is therefore responsible for income generation to the Council. By providing a discounted rent, whilst there will be a reduction in the Council's income for a period of 10 years; by splitting the unit, the Council would enhance the combined covenant supporting the asset, create more marketable space, and improve future growth and income stability over the long term.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
12.	The Council's ability to extend leaseholds or make freehold disposals lies in the Local Government Act 1972, the Local Government Act 2000, and the Localism Act 2011.
13.	Under the Local Government Act 1972, the Council has a requirement to achieve "best consideration". Any purchase price agreed with the special interest party or any other party in the open market will be subject to a Section 123 LGA 1972 Valuations. Appendix 1 includes The Commercial and Financial Terms with Related Recommendation. Appendix 2 provides the Colliers Desktop Valuation Report (15 Dec 2023). This gives an independent valuers opinion of the future value of the site and supports the Best Consideration principle in relation to the recommended proposal. This deal will be subject to Best Consideration being demonstrated by way of an independent valuers S123 valuation.
<u>Other Legal Implications:</u>	
14.	The proposals require an Equalities Impact Assessment to be completed prior to final disposal terms being agreed in accordance with the Council's duties under s.149

	Equality Act 2010 (the 'Public Sector Equality duty') and any disposal to a special interest party needs to comply with UK Subsidy Control legislation.
RISK MANAGEMENT IMPLICATIONS – See Appendix 4	
POLICY FRAMEWORK IMPLICATIONS	
15.	Southampton City Council Corporate Plan 2022/30 includes the goal to make the Council a successful and sustainable organisation. This proposal will contribute to this ambition together with the goal to make Southampton a prosperous city.

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	ALL
<u>SUPPORTING DOCUMENTATION</u>	
Appendices (Confidential)	
1.	CONSIDERATION OF THE OPTIONS AND RECOMMENDED COMMERCIAL AND FINANCIAL WITH RELATED RECOMMENDATION
2.	COLLIERS DESKTOP VALUATION – 15 DECEMBER 2023
3.	LEASE DETAILS
4.	RISK MANAGEMENT IMPLICATIONS
5.	DRAFT HEADS OF TERMS (1. ALDI 2. WICKES)
6.	SCOPE OF WORKS
7.	ESIA

Documents In Members' Rooms

Equality Impact Assessment	
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Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Imp Assessment (DPIA) to be carried out.	No
Other Background Documents	
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Equality and Safety Impact Assessment

The **Public Sector Equality Duty** (Section 149 of the Equality Act) requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different people carrying out their activities.

The Equality Duty supports good decision making – it encourages public bodies to be more efficient and effective by understanding how different people will be affected by their activities, so that their policies and services are appropriate and accessible to all and meet different people’s needs. The Council’s Equality and Safety Impact Assessment (ESIA) includes an assessment of the community safety impact assessment to comply with Section 17 of the Crime and Disorder Act and will enable the Council to better understand the potential impact of proposals and consider mitigating action.

Name or Brief Description of Proposal	TO REGEAR A LEASE and SUBDIVIDE THE RETAIL WAREHOUSE OF A COUNCL INVESMENT PROPERTY HELD IN THE INVESTMENT FUND PORTFOLIO
Brief Service Profile (including number of customers)	
<ul style="list-style-type: none"> ▪ This relates to the Southampton City Council Freehold properties at 241 and 271 Winchester Road, Southampton, SO16 6TP. ▪ The whole of No 271, being some 50,000sq.ft. in size, is currently leased to Wickes on 20-year lease with approximately 3 years remaining. Since 2021, Wickes have been seeking to subdivide their premises into two units to better fit their current requirements of units in the region of 25,000sq.ft. ▪ Aldi have expressed a strong interest in taking 20,516 sq. ft. ▪ Wickes is seeking to enter into a new 15-year lease and Aldi will enter into a new 20-year lease. ▪ The Council do not have funds to contribute towards the cost of the works to subdivide the Wickes space, which cost were in total in the region of £1.837m as of 2021. ▪ Wickes and Aldi have proposed that the subdivision proceed with Aldi to fund the buildout costs to subdivide the Wickes space. The Council will reimburse Aldi in the negotiated amount of £1.700,740 in equal instalments throughout the term of the new lease with Aldi. 	
Summary of Impact and Issues	
<ul style="list-style-type: none"> ▪ The summary of the impact is that the existing unit occupied by Wicks will be split into two. One half occupied by Wickes and the other by Aldi. ▪ As explained in the report this is a financially beneficial arrangement for the Council and will lead to an increase in income over the period of the leases. ▪ The introduction of Aldi into this retail park will bring low-cost food to an area with a large residential catchment area. 	

<ul style="list-style-type: none"> As part of the planning application factors such as transport, parking, noise and other potentially negative implications have been addressed and mitigations outlined. This report is not focused on the planning matters as these have been addressed by the Planning and Rights of Way Panel. 	
Potential Positive Impacts	
<ul style="list-style-type: none"> In addition to making the retail unit more appropriate to current market conditions and requirements, the development will result in the provision of a low-cost food retail unit to service a large residential area. 	
Responsible Service Manager	Amal Uddin
Date	3 Dec 2024
Approved by Senior Manager	Tina Dyer-Slade
Date	3 rd December 2024

Potential Impact

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
Age	No negative impact	
Disability	No negative impact	
Gender Reassignment	No negative impact	
Care Experienced	No negative impact	
Marriage and Civil Partnership	No negative impact	
Pregnancy and Maternity	No negative impact	
Race	No negative impact	
Religion or Belief	No negative impact	
Sex	No negative impact	
Sexual Orientation	No negative impact	
Community Safety	No negative impact	
Poverty	Provision of a low-cost food store in a large residential catchment area. Improved access to low cost food.	
Health & Wellbeing	Improved access to low-cost food.	
Other Significant Impacts	Aldi advise that the development will create 30-40 new jobs.	

Impact Assessment	Details of Impact	Possible Solutions & Mitigating Actions
	<ul style="list-style-type: none"> <li data-bbox="502 271 963 488">▪ Aldi advise that the plans include a new 2.5m high acoustic fence around the service yard boundary to reduce noise for neighbouring properties. <li data-bbox="502 526 963 891">▪ The proposals include additional parking spaces and both active and passive electric vehicle charging spaces, thereby future proofing the site. The conclusion from Highways has been based on evidence of parking requirements from other Aldi stores. <li data-bbox="502 965 963 1077">▪ Highways improvements will be secured by a s106 agreement. 	

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