

DECISION-MAKER:	Cabinet
SUBJECT:	Maritime Gateway
DATE OF DECISION:	28 th October 2025
REPORT OF:	Councillor Winning Leader of the Council

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director for Growth and Prosperity	
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STATEMENT OF CONFIDENTIALITY		
<p>Appendices 3,4,5,6,7,8 & 9 of this report are exempt from publication by virtue of paragraph 3 of the Council Access to Information Procedure Rules as set out in the Constitution (information relating to the financial and business affairs of any particular person). Appendix 5 is exempt on the basis of Legal Professional Privilege and contains details of the legal tests and considerations the Council has had regard to in participating in the linked transactions contained in this report. It is not in the public interest to disclose this information while the site is under active negotiation pending completion of the relevant land transactions as to do so may adversely affect the Council's legal, financial and bargaining position and its ability to secure best value for its property interests in the related transactions.</p>		
BRIEF SUMMARY		
<p>The report advises and seeks a decision from Cabinet on proposals for redevelopment of the former Toys R Us site (Maritime Gateway). This site is identified on the plan that forms Appendix 1. The recommendation, subject to this Cabinet decision that the stalled key city centre gateway regeneration site is acquired by a newly formed Partnership, in which the Council will participate with the aim to facilitating delivery. Subject to appropriate approvals the other Partners are intended to be Aviva Capital Partners Limited and a third party.</p>		
RECOMMENDATIONS:		
	(i)	To delegate authority to the Executive Director, Growth and Prosperity, following consultation with the Executive Director of Enabling Services (s.151 Officer), Director of Legal and Governance, the Leader and Cabinet Member for Economic Development to:
	(a)	Take all action necessary to approve and facilitate the termination or transfer of the existing 85 Year lease and to grant a new 250-year

		lease over the site to the newly formed Limited Liability Partnership on revised terms that will facilitate development of the site.
	(b)	Take all action necessary to secure the Council's membership of and participation in the proposed Limited Liability Partnership, including but not limited to agreeing and entering into any Partnership Agreements and other legal agreements relating to the Council's membership, appointing Officers to represent the Council on the Partnership and to take all steps necessary to comply with the obligations on behalf of the Council within any such documentation..
	(ii)	Subject to remaining within approved budgets and complying with relevant regulatory notifications required, to authorise the Executive Director of Enabling Services (S.151 Officer) to approve the Council's financial contribution to the LLP on the terms set out in confidential appendix 4 as an interest free loan to the LLP and to approve the elements of the Council's contributions to the Partnership and project that amount to a notifiable subsidy (as set out in confidential appendix 8 on a 'subject to contract' basis).
	(iii)	To authorise the Executive Director, Growth and Prosperity, following consultation with the Executive Director Enabling Services and Director Legal and Governance to take any decisions and action necessary, including but not limited to, entering into related legal agreements, seeking regulatory consents and notifications and other ancillary matters to deliver the proposals set out in this report and to enable the redevelopment of the Maritime Gateway site(s) through the Council's membership of a Limited Liability Partnership.
REASONS FOR REPORT RECOMMENDATIONS		
1.		To allow sufficient delegated authority to enable the Council as part of the Partnership to bring about the redevelopment of the stalled former Toys R Us site on Harbour Parade which is a key strategic site at one of the gateways to the city.
2.		To utilise the Council's position as freehold landowner to grant a lease on revised terms that will support the delivery of the former Toys R Us site for a mix of uses consistent with its ambitions for the inclusive growth of Southampton. It is a key gateway city centre site.
3.		By participating in the Partnership to facilitate a change in ownership and control that will secure the delivery of the stalled Toy R Us site that supports the vision for the City Centre as set out in the Cabinet report of 28 January 2025 (SUBJECT:) by delivering an innovation-led scheme focused on health, science and engineering type occupiers. This demonstrates the Council's role in delivering the Southampton Renaissance.

4.	To enable participation in the delivery of the new proposed scheme with key Partners thus unlocking significant Economic benefit.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
5.	The Cabinet decision of April 2024 acknowledged the impact of macroeconomic challenges faced by construction projects over recent years and allowed the development scheme additional time to move forward with delivery as set out in the original Development Agreement. However, this has not resulted in a positive outcome, and the development has not progressed to delivery within a reasonable timeframe, given the impending expiry of the existing planning consent there would appear to be no prospect of the consented scheme being delivered within a timeframe that would be acceptable to the Council.
6.	An alternative option would be for the Council to deliver the scheme on its own account; however, this is unrealistic given the significant financial commitment required including the need to acquire the existing 85-year Lease from Packaged Living. Additionally, considerable human resource and specialist expertise would be required to progress any development activity on the site; resource and expertise the Council would need to procure
7.	In the first instance it is proposed that the Partnership having achieved control of the site by virtue of the new lease, will demolish the existing building on the site, invest in public realm on the site creating the appropriate parts of the Maritime Gateway parade and also undertake master planning for a mixed use scheme of regeneration incorporating office, innovation and residential uses. It is expected that some of this work will be Grant funded.
8.	The Partnership itself will not undertake development but will “sell down” individual plots to third parties, with a view to recovering its investment over a period of time. It should be noted that the Partners will have a first option to acquire these plots subject to appropriate valuation safeguards.
BACKGROUND AND BRIEFING	
9	Southampton is poised for a new chapter of growth and prosperity. Over the past two decades, the city’s productivity and economic growth have consistently exceeded national averages. The city is home to nationally significant assets, including a strategically important port that serves both as a critical link in supply chains throughout the nation and as the leading cruise turnaround port in Northern Europe, world-class universities, a thriving football club, research and innovation hubs, cultural and heritage assets, and international connectivity. The clearly stated ambition of the Council is to ensure that growth benefits residents, communities and businesses.
10	However, like other cities, the macro-economic climate over recent years has created an environment where – due to a range of factors – delivery of major schemes has been challenging. In our case, this has meant that several mixed-

	<p>use development investments have stalled, with unresolvable viability issues – clearly exemplified by a lack delivery on the Toy R Us site at Maritime Gateway. Moreover, market conditions in the UK development sector have been acknowledged as being difficult and housing delivery has suffered, alongside the decline of the office market. The Council’s own Housing Delivery Test highlights that housing delivery at 50% of target.</p>
11.	<p>The health and vibrancy of our city centre is critical given the multifaceted role as a residential, cultural, and high value business hub but also a place to visit, spend leisure and recreation time. The city centre is the focal point of the Southampton city region, where people live, work, learn and play. As the beating heart of economic activity, a strong city centre is essential to support a strong city region and as a focal point for future Devolution-led growth.</p>
12.	<p>At Southampton City Council, we recognise the central role we play in shaping that growth to benefit communities across the city. We are already doing this across several areas: through our role in the Solent Freeport, via the establishment of the Southampton Renaissance Board that brings together key city partners, and in how we are supporting the development of the new Mayoral County Combined Authority (MCCA) alongside Hampshire, the Isle of Wight and Portsmouth. We have a real opportunity to unlock long-term investment and strengthen our ability to shape Southampton’s future. That will require the Council and partners to seek new and innovative ways to enable delivery of projects and schemes that will support inclusive and sustainable growth in a way that benefits residents, communities and businesses.</p>
13.	<p>The Southampton Renaissance Board (SRB - whose membership is made up of key partners and landowners in the city including the Council, business related groups, Associated British Ports, Southampton FC and the two universities) is an advisory board which has a remit focussed on enabling growth, strategic skills, sustainable development and investment. Its purpose is to steer the future growth of the city in terms of place-shaping, investment in infrastructure and in the city’s human capital</p>
14.	<p>The Renaissance Board has been working to devise a vision, masterplan and prospectus for change, the ambition for which is based on three key drivers: being a world-leading Maritime city, creating a Destination city, and a city that is driven by Innovation and Sustainability. The Southampton Renaissance vision is presented in the new Southampton Renaissance Prospectus which is available at www.southamptonrenaissance.com</p>
15.	<p>A key aspect of the vision for the city has been shaped by the work of the master planners (Prior and Partners) who has identified several strategic regeneration areas. The Renaissance Vision spans over 400 hectares, with development opportunities spanning 98 hectares providing a unique opportunity to remodel Southampton’s city centre and waterfront, with development potential for 15,000 new homes, 2 million ft² of commercial, entertainment and leisure floorspace.</p>

16.	One of these is the West Bay Innovation District, which comprises land around and to the south of the train station. This includes the subject site, which is in the ownership of the Council but subject to a lease with approximately 85 years unexpired. Since the demise of Toys-R-U's, the lease in the site has been held by Packaged Living who secured a planning consent in 2022 for a substantially residential led mixed use scheme.
17.	Due to a combination of factors, the delivery model envisaged by this ownership structure has failed to deliver the scheme albeit in difficult market conditions and subsequently the site has deteriorated. As a result, and in line with our ambitions to drive inclusive growth through purposeful and meaningful invention, the Council is adopting an alternative approach to delivering the regeneration of the site, involving the creation of a Strategic Investment Partnership with two highly regarded entities who each bring specific skills and expertise to the table in delivering the Council's long term strategic vision for the site. This vision centres on an innovation led, mixed use development, befitting of a site, arguably the most prominent in the city, including high quality architecture and public realm including delivery of the long-awaited Maritime Gateway and Promenade.
18.	In summary, we now want to build on the inherent economic strength of the city, our global history, the rich cultural, social and commercial infrastructure in place, our geographic position and – critically – the diverse communities that have, and do, play such a critical role in the life of Southampton. To make the best of those foundations and to create the conditions where residents, businesses and communities can thrive, the Council is moving into a new phase of intervention. This report and the recommendations set out is a key step in that journey.
DETAIL (Including consultation carried out)	
19	A strong and clear economic vision is essential to signal to the investment community, business and residents that there are real opportunities for purposeful investment and inclusive growth in the city centre and, importantly, that the Council is supportive of a broad growth agenda.
20.	Southampton has a once in a generation opportunity. We're set to witness a new era for our city centre. We have established an ambitious Renaissance vision, as we embark on a journey of renewal, we envision a future marked by a deeper civic pride, anchored by our world-class waterfront and an iconic skyline. The Renaissance Vision spans over 400 hectares, with development opportunities spanning 98 hectares providing a unique opportunity to remodel Southampton's city centre and waterfront, with development potential for 15,000 new homes, 2 million ft ² of commercial, entertainment and leisure floorspace.
21.	Sub-regionally we are entering a new phase of opportunity, driven by the establishment of a forthcoming MCCA, with devolved powers aimed at

	<p>accelerating regional growth and investment. The UK Government's recent Comprehensive Spending Review reinforces national ambitions for growth, innovation, and delivery, providing new funding streams that Southampton can and should leverage</p>
22.	<p>This aligns with our Renaissance Vision, which sets a bold direction for the next era of city centre development. Central to the Renaissance Vision is the opportunity to develop a set of strategic sites which will serve as a global gateway building on Southampton's international reputation as a seat of learning and the potential to harness knowledge economy and innovation-led growth. As such the emerging Innovation District proposal will be central to Partner's regeneration objectives for this site.</p>
23.	<p>At the sub-Renaissance Area level there is opportunity to identify Development Areas and bring them forward as sites or projects. At the site level is where the Council can use its land holdings and available resources to influence delivery and affect change. Given the number of schemes that have not progressed in recent years it has become apparent that the Council needed to adopt a new delivery model, supported by the Renaissance partners.</p>
24.	<p>Moving forward the emphasis is firmly on investment delivery, through enhanced, detailed plans and progress with implementation of those plans to deliver the ambition of the Masterplan proposals. It will also be essential that we work in partnership with our Renaissance and investment partners to ensure delivery. The Council cannot ensure delivery alone or ensure the resources needed to intervene and bring schemes to the market. This opportunity is the first step in a new partnership-based delivery model, learning from those more resilient UK cities that have sustained delivery, despite difficult market conditions.</p>
25.	<p>The preferred option, Option 1 is for the Council to combine intervention and external expertise, knowledge and resource by forming a Partnership with appropriate entities, who have the ability to provide significant input into the delivery of a scheme within, in an appropriate timeframe that meets with the wider strategic ambitions of the Council as promoted in the City Renaissance Vision. The two proposed Partners provide that resource and the option also provide the opportunity for the Council to share in and contribute to the delivery of that vision and to provide with the ability to shape the delivery of the scheme by way of an Alternative Delivery Model given that the existing model has failed. Consideration was also given to the formation of a Company with each of the parties participating as shareholders but there are taxation implications of pursuing this option, hence it is not a recommended option.</p>
26.	<p>The arguments for and against each of the potential "structures" is dealt with in detail in Appendix 3</p> <p>The formation of the Partnership as set out in Option 1 does not involve procurement of works and services and accordingly is not a procurement as defined in the 2015 Public Contracts Regulations or Procurement Act 2023.</p>

27.	<p>The Partnership will be governed by a Members Agreement which will include objectives, detailed governance arrangements and reporting arrangements in terms of the Partnership. Like any corporate body, the Partnership will produce year end accounts and share profits as dividends, which can be paid out or retained for reserve.</p> <p>Details of the arrangements including detailed commercial terms and a table of risks are set out in Appendices 4 and 5.</p>
28.	<p>The Agreement provides firstly a right of first refusal to Aviva to draw down plots within the site as identified in the new masterplan to enable them to execute development. This right has built in safeguards to ensure that the Partnership is receiving best value from Aviva in these circumstances.</p>
29.	<p>Aviva Capital's stated role in the partnership is to deploy its capital into regeneration projects such as this one, however if after three years there has been no progress in achieving a deployment of capital or a commitment to do so, after three years Aviva have the ability to require the Council to acquire their third share for the lower of £5m or the amount of capital they have invested into the partnership, thus giving the Council ownership of 66.66% of the Partnership. It is possible that at this point that the [REDACTED] may wish to invest in the Partnership, so there is the possibility that they may share these costs with the Council thus giving the remaining two parties a 50% share each.</p> <p>It is proposed that the Partnership will seek to retain elements of the existing planning consent but bring forward a new scheme focusing on the Innovation and Creative sectors. The model also provides for ability for any of the Partners to accommodate a facility to satisfy its own needs if appropriate.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
30.	<ul style="list-style-type: none"> • The Council's shareholding in the LLP will be £1. • The initial cash resources required by the LLP to acquire the site and undertake demolition and master planning will be provided in the form of loans from each of the shareholders. A detailed breakdown of the cash resources required by the LLP as well as the potential sources of funding are listed in Appendix 4. • The Council's share of the costs of terminating the original Development Agreement, and its participation in the Partnership will be met from the Revolving Regeneration Fund. • Further details are set out in Confidential Appendix 3. Additionally, a Business Plan has been prepared covering the first three years of The Partnership, which forms Appendix 6.

Property/Other

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| 31 | <ul style="list-style-type: none">• The freehold ownership of the site will remain with the Council, although it will cede day to day control of the site by virtue of the new 250-year lease granted to the LLP. There are provisions within the Partnership Agreement that allow for the eventual winding up of the Partnership if no delivery has taken place in which case there is potential for the lease to be collapsed.• Management and development on the site will be the responsibility of third-party developers put in place by the LLP but in the long term the Council will need to monitor compliance with the new ground lease as it would and does in similar scenarios.• The proposal is also envisaged to deliver significant Economic Benefit, as highlighted in the Economic Impact Assessment Report that forms Appendix 9. |
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LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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| 32. | <p>The Council's powers to undertake the land transactions set out in this report are made under s.123 Local Government Act 1972 which is conditional on achieving 'Best Consideration' for the transactions and 'Best Value' considerations under the Local Government Act 2003. This is not limited to a financial assessment but may also consider wider public interest matters and related benefits and a formal assessment of 'Best Value / Best Consideration' has been prepared by Independent Valuers on behalf of the Council and is included at Appendix 7.</p> |
| 33. | <p>The Council's ability to participate in a partnership with third parties to deliver wider regeneration linked to the site and further opportunities the development of the site may unlock is contained within s.1 Localism Act 2011 (the General Power of Competence). Further detailed legal considerations relating to the proposed form and structure of any such involvement / partnership working and the Council's ability to contribute funds to any body established to deliver this objective is set out in confidential appendix 5</p> |
| 34. | <p>The Council has also considered its position under both procurement legislation and the Subsidy Control Act (where acting in partnership with third parties and providing grant funding or 'benefits in kind from participation in a Partnership may give rise to considerations around offering advantageous terms to third parties who are 'economic entities' rather than public authorities) and further advice confirming the Council's legal compliance under these considerations is also set out in confidential Appendix 8.</p> <p>The Subsidy Control Assessment concludes that the proposals fall within the parameters of several pre-approved subsidy control schemes authorising the level of subsidy proposed (subject to contract) but will require detailed submissions to the national subsidy database within 3 months of concluding the transactions for transparency and regulatory purposes.</p> |

Other Legal Implications:

35 The Council has a positive duty to consider how the delivery of any of its functions meets the requirements of the Equality Act 2010, in particular the Public Sector Equality duty. There are no adverse impacts identified as a result of the matters set out in this report and it is considered that the proposals will improve the economic, environmental, social and equality and well being of the area. An ESIA has been prepared in the preparation of this report and forms Appendix 2 of this report.

RISK MANAGEMENT IMPLICATIONS

36. By not taking further action and allowing the market to take the site forward is unlikely to generate any significant economic benefits, particularly if no meaningful development comes forward. This will result in further delays in development and regeneration of keys sites in the city centre to deliver economic growth and environmental improvements. It will also not enable the Council to meet its clear aspirations to drive innovation and economic growth in the City Centre.

The redevelopment of the site will help to act as a catalyst for further regeneration in the city. This is in accordance with the City Renaissance Plan, although there remains a risk that even pursuing the recommended option that development will not be delivered.

The risks are more specifically scheduled in the table that forms part of Appendix 4.

POLICY FRAMEWORK IMPLICATIONS

37 Delivery of widespread development and regeneration across Southampton City Centre provides the opportunity to support delivery of a wide range of policy priorities at a national, regional, and local level.

The national policy context is shifting. The government's devolution programme marks an opportunity for local and regional leadership. Through the fast-track Devolution Priority Programme, Southampton will join a new Mayoral Combined Authority covering Hampshire and the Isle of Wight.

38. This project aligns with the 'Growing Southampton' pillar of the City Plan. In addition, the emerging Growth & Prosperity Plan will be critical in ensuring we - as a council are ready to capitalise on any new powers and opportunities, with a clear vision, a robust pipeline of projects, and the capacity to deliver on new investment.

39. This proposal supports the Council's strategic objectives around housing, environment, sustainability, Green City and economic development. The Southampton Renaissance master planning work also recognises this site's potential to contribute to a vision for the City's future prosperity as part of an Innovation District, with the ability to create a significant number of much

	needed high quality, knowledge intensive employment opportunities. The development proposals are consistent with the key growth and regeneration ambitions for Southampton.
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KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Site Plan
2.	Equality and Safety Impact Assessment
3.	CONFIDENTIAL Gateley advice on alternative Corporate Structures
4.	CONFIDENTIAL: Summary of proposals and commercial terms and risk table
5.	CONFIDENTIAL: Draft Heads of Terms relating to the set up and operation of the proposed Investment partnership
6.	CONFIDENTIAL: Initial Business Plan
7.	CONFIDENTIAL: Section.123 report
8.	CONFIDENTIAL: Gateley advice on Subsidy Control
9.	CONFIDENTIAL: Economic Impact Assessment.

Documents In Members' Rooms

1.	
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
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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.	No
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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.	https://www.southampton.gov.uk/modernGov/documents/s78441/Report%20-%20Development%20Site%20Opportunity.pdf
2.	https://www.southampton.gov.uk/modernGov/ieDecisionDetails.aspx?AllId=30359

3.	https://www.southampton.gov.uk/moderngov/documents/s71128/Toys%20R%20Us%20Development%20Agreement.pdf
4.	https://www.southampton.gov.uk/modernGov/documents/s77488/Report.pdf