

Public Document Pack

Officer Decision Making

Thursday, 21st May, 2015
at 10.00 am

PLEASE NOTE TIME OF MEETING

Civic Centre, Southampton

This meeting is not open to the public

Decision Maker

Head of Property

Contacts

Democratic Support Officer

Name: Judy Cordell

Tel: 023 8083 2766

Email: judy.cordell@southampton.gov.uk

AGENDA

Agendas and papers are available via the Council's website

1 GRANT OF OPTION AGREEMENT ON DRIVERS WHARF (Pages 1 - 6)

To consider the report of the Senior Valuer seeking approval to enter into an option agreement with the PSP Southampton LLP in relation to the Council's land at Drivers Wharf, Southampton.

Wednesday, 13 May 2015

HEAD OF LEGAL AND DEMOCRATIC SERVICES

Agenda Item 1

DECISION-MAKER:	HEAD OF PROPERTY		
SUBJECT:	GRANT OF OPTION AGREEMENT ON DRIVERS WHARF		
DATE OF DECISION:	21 MAY 2015		
REPORT OF:	SENIOR VALUER		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Peter Kitching	Tel: 023 8083 2345
	E-mail:	Peter Kitching @southampton.gov.uk	
Director	Name:	Mark Heath	Tel: 023 8083 2371
	E-mail:	Mark Heath @southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY
Not applicable

BRIEF SUMMARY

On the 15th July 2014 Cabinet approved entering into a joint venture limited liability partnership (LLP) with a private sector partner, Public Sector Plc Facilitating Ltd (PSPF).

The purpose being to provide the Council with an additional option, over and above those currently available to it, with regard to the disposal, sale or use of its assets to maximise income and opportunity. The relationship brings funding opportunities which are not traditionally available. It is already operating in Bolton, Dudley, Dorset, Southend, Scarborough and Warwick.

This report seeks approval for a specific proposal to grant an option to the LLP in respect of a number Council owned properties in Drivers Wharf.

RECOMMENDATIONS:

	(i)	To approve entering into an option agreement with the PSP Southampton LLP (the LLP) in relation to the Council's land at Drivers Wharf and Princess Street, on the terms detailed below and the approximate extent of which is shown outlined in red on the plan at Appendix A.
--	-----	---

REASONS FOR REPORT RECOMMENDATIONS

1.	The purpose of entering into the option with the LLP is to facilitate property related projects for the Council, making use of private sector funding, resources and skills in addition to those available through the Council and paid for by the LLP.
----	---

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED
--

2	The property could be marketed by private treaty or the Council could consider site assembly if funds and resources were available. This is considered to be a less certain way of achieving best consideration and redevelopment of this property.
---	---

DETAIL (Including consultation carried out)	
3	The Council's land interests form part of the wider Driver's Wharf Development Area identified in the Local Plan under saved Policy MSA 16. Policy MSA 16 states "The Drivers Wharf Development Area including the Meridian Broadcasting Studios, Drivers Wharf and the European Metals Recycling yard is identified for an employment-led mixed-use scheme including offices, light industry, and residential uses. Ancillary retail and leisure uses will also be permitted."
4	The Council has acquired land within this area to facilitate the strategic development of the area. The Homes & Communities Agency (HCA) currently own two parcels of land adjacent to the Council's land and the LLP is currently attempting to purchase the HCA's interests. Granting of the Option will help encourage the LLP to invest in the purchase of the HCA interests and the wider promotion of a regeneration scheme for the area.
5	With planning permission now granted for the redevelopment of the former Meridian Site, it is anticipated this will help act as a catalyst for other sites along the riverside. Development of the Driver's Wharf area is considered to be medium term as there are numerous land interests to be acquired and/or accommodated within any new scheme. The Local Plan, in recognition of the complexities of bringing forward this area, encourages a detailed Development Brief to be prepared in consultation with those directly affected by the proposals.
6	The Option is proposed for a term of 10 years to bring it in line with the timescales the LLP will need to obtain possession of some of the parcels of land. Some of the current occupiers may need to be relocated within any development scheme under the terms of their current occupational leases.
7	The LLP would have the ability to serve notice to acquire parts or the whole of the Council land during the period of the Option at a price to be agreed between the parties.
8	These terms of the Option are recommended on the basis that safeguarding is also catered for within the contractual arrangements of the LLP, to further protect the Council's interests. The Board Members from the Council on the LLP are aware of the circumstances and their obligations to ensure the Council's interests are managed appropriately within the relationship.
9	Where a different approach has been adopted from a more usual approach that would be taken in any standard land transaction with this has been highlighted below.
	In particular these are:-
10	Best Consideration –The purchase price is to be agreed between the parties prior to the option being exercised. The Council will need to consider the overall return from the project to ensure it is achieving best consideration before agreeing to exercise the Option.
11	The option is being granted for a 10 year term – While rights will be retained to manage and let the premises it would prevent the council considering others sales or long term lettings without the approval of the LLP Board. In a normal commercial arrangement this length of option would not normally be considered acceptable, as it would not allow the Council to deal with the land for a long period of time, if progress is not made by the PSP, but due to the

	fact the Council is 50% of the PSP, this risk is considerably mitigated and considered acceptable.
12	Planning applications – The Option does not control what type of uses applications can be submitted for.
13	Sale of part or parts – The Council will need to ensure that where the proposal is to acquire part or parts of the site that the impact on the use and value of the retained parts is considered and sufficient rights are reserved for providing suitable access to the retained parts, services etc.
14	Vacant Possession – The Council will need to consider requests to obtain vacant possession. For example, the Council will not want to incur unnecessary holding costs for maintaining vacant buildings etc. in advance of the Option being exercised. Further, the Council will not wish to trigger the Option until its current occupation of an area of open storage land currently used in connection with the Council's Decent Homes scheme is vacated.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
15	It should be noted that the costs of establishing the LLP are met entirely by PSPF
16	The PSPF model will share net development returns 50:50 between the public and private sector partners. The basic premise of value created less costs (costs accounting for any facilitation fee) = profit = profit share is central to the proposition. The aim of the LLP is to generate value using Council assets which is above and beyond that which the Council would be able to generate itself. This could be achieved by, for example, the LLP acquiring assets and improving them, or changing their use. It should be noted that the Council's existing asset value will be protected and it is only the value that is achieved above this figure that will be shared, after the deduction of the associated costs.
<u>Property/Other</u>	
17	Part of the site is currently occupied in connection with the Decent Homes Scheme but it is understood that occupation will cease ahead of when the possession would be required for redevelopment.
18	The disposal of the land is consistent with the Interim Corporate Property Strategy and it is property that is surplus to requirements.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
19	Section 123 of the Local Government Acts 1972, Section 233 of the Town & Country Planning Act 1990 and Section 32 of the Housing Act 1985 and the general power of competency under the Localism Act 2011.
<u>Other Legal Implications:</u>	
20	It should be noted that this is an officer key decision but is conditional on Delegated Powers being approved for the purpose of property disposals to the LLP at full Council on the 20th May 2015.
POLICY FRAMEWORK IMPLICATIONS	

21	The proposal set out in this report is not contrary to any policy implications. The disposal of a council property for a capital receipt (as and when the option is exercised) supports the Council's Capital Programme.
22	The purpose of the option is to give the LLP the formality to allow detailed feasibility work to be undertaken in advance of acquiring the land. Until this work has been completed and promoted through the LLP it is not possible to give an accurate indication of the values involved. Seeking consent as a Key Officer Decision ensures that, should this be in excess of the £500,000 key decision threshold, approval is in place to proceed.

KEY DECISION?	Yes	
WARDS/COMMUNITIES AFFECTED:	Bevois	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	Site Plan	
2.		
Documents In Members' Rooms		
1.	None	
2.		
Equality Impact Assessment		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
Other Background Documents		
Equality Impact Assessment and Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		

This page is intentionally left blank