

**Report of:** Land and Property

**Report to:** Director of City Development and Chief Financial Services Officer

**Date:** 15 February 2018

**Subject:** Design and cost report for a Strategic Land Acquisition

**Capital Scheme: 32554HIT**

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	City and Hunslet	
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:	10.4 (3)	
Appendix number:	1	

**Summary of main issues**

1. The proposals connected to the Council's ambitions for the Southbank which will see the size of Leeds City Centre double and bring with it new homes, jobs and infrastructure improvements. The Council is committed to maximise growth potential linked to HS2 including the delivery of major new developments and the capture of subsequent land value uplift.

At the Executive Board meeting on 8<sup>th</sup> February 2017, it was approved that future injections and authorities to spend relating to additions to the investment portfolio would be delegated to the Director of City Development and the Chief Finance Officer in consultation with the relevant Executive Board Member for Regeneration, Transport and Planning and Group Leaders of Executive Board.

2. This report sets out the details for a potential acquisition of property that lies adjacent to the HS2 safe guarded route and is in line with the approval above and compliments the council's HS2 Growth Strategy. At the present time the value of the property is confidential however the price paid will be made public once the transaction is formally completed.
3. The details are set out in the confidential appendix.

## Recommendations

4. It is recommended that the Council acquires the property as detailed in the confidential appendix to add to its Investment Portfolio and become a strategic land holding adjacent to the HS2 safeguarded route which accords with the growth strategy being promoted. This is in line with the Executive Board approval from the meeting on 8 February 2017.
  - a) The Chief Officer Financial Services is recommended to:
    - i) Approve the injection to the capital programme as outlined in the confidential report.
  - b) The Director of City Development is recommended to:
    - i) Authorise the Head of Land & Property to instruct the agent to act on the Council's behalf as outlined in the confidential report.
    - ii) Authorise the purchase of the property at the cost outlined in the confidential report.
    - iii) Approve the authority to spend as outlined in the confidential report.
    - iv) Agree that this report is made exempt to Call-In for the reasons set out in paragraph 4.5.6 in the open part of the report.

## 1 Purpose of this report

- 1.1 The purpose of this report is to seek approval for the purchase of a property as detailed in the confidential appendix to add to its investment portfolio. This is further to the Executive Board resolution from its meeting on 8<sup>th</sup> February 2017.

## 2 Background information

- 2.1 Leeds HS2 growth strategy is a key element for the vision for Southbank which is one of the largest regeneration areas in Europe. With plans to double the size of Leeds City Centre, creating new homes and jobs this is a significant area for the Council. In recent years the Council has played a key role in bringing forward development which has helped to drive economic growth in the city. Headline examples include:

- The development of the First Direct Arena;
- Facilitating the land assembly for the development of Victoria Gate
- Bringing forward Sovereign Square as new public realm and offices

Recognising the important role that the Council has played in the delivery of these schemes, the Council has, where appropriate, sought to value capture new income opportunities that this has helped to create. This has included:

- The ownership of the First Direct Arena, leased to SMG Europe;
- The purchase of the head lease of the Harper Street car park next to Victoria Gate;
- The purchase of 3 Sovereign Square, which now hosts Addleshaw Goddard as the principal tenant.

The proposal outlined in this report relates to a further opportunity for the Council to capture the value of its regeneration and economic development activity to secure long-term revenue for the Council. Leeds City Region HS2 Growth Strategy for the city and the city region sets out ambitions to maximise growth potential linked to HS2 to include the delivery of major new development and the capture of land value. As part of this the Council is pro-actively bringing forward infrastructure delivery plans including the Leeds Integrated Station Masterplan and the City Centre Transport Package. The subject property in this report lies to the edge of the HS2 Safeguarded route and represent a strategic purchase opportunity.

- 2.2 The Council's investment portfolio has been reviewed with a view to make strategic acquisitions that enhance its ability to produce income.
- 2.3 In its meeting of 8<sup>th</sup> February 2017, the Council's Executive Board resolved that any future acquisition would be delegated in terms of future injections and authorities to spend to the Director of City Development and the Chief Finance Officer in consultation with the relevant Executive Board Member for Regeneration, Transport and Planning and Group Leaders of Executive Board.
- 2.4 Currently the Council generates a surplus of £2.55 m per annum from its investment portfolio to help support the delivery of its services. The Councils medium term financial plan forecasts this income will increase to £3.86 m per annum by 2020/21.

### **3 Main issues**

- 3.1 The potential acquisition of the subject property as set out in the confidential appendix, is in line with the Council's aspirations to improve its investment portfolio as it meets the requirements for acquisition and supports wider ambitions focused around the South Bank regeneration area of the City whilst also being to the edge of the HS2 safe guarded route.
- 3.2 As the property is located within South Bank the acquisition ties in with the proposals connected to the Southbank Growth Strategy.
- 3.3 The Council is committed to maximise growth potential linked to HS2 including the delivery of major new developments and the capture of subsequent land value uplift.
- 3.4 Leeds HS2 growth strategy is a key element for the vision for Southbank which is one of the largest regeneration areas in Europe. With plans to double the size of Leeds City Centre, creating new homes and jobs this is a significant area for the Council.
- 3.5 The acquisition of this property provides the Council with an opportunity to capture the value of its regeneration and economic development activity to secure long-term revenue for the Council.
- 3.6 As part of this the Council is pro-actively bringing forward infrastructure delivery plans including the Leeds Integrated Station Masterplan and the City Centre

Transport Package. The subject property in this report lies to the edge of the HS2 Safeguarded route and represent a strategic purchase opportunity.

3.7 At the same time the value and strength of the Council's property investment portfolio will be enhanced and make the Council's financial position stronger and more resilient.

3.8 This proposed acquisition is also part of the strategy to increase the Council's investment income by 2020/21.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 The Director of City Development and the Chief Finance Officer have consulted with the relevant Executive Board Member for Regeneration, Transport and Planning and Group Leaders of Executive Board as per the Executive Board resolution from its meeting of 8<sup>th</sup> February 2017.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 There are no issues in relation to the recommendation being made herein.

### **4.3 Council Policies and the Best Council Plan**

4.3.1 The purchase of the property will increase the revenue stream to the Council and this will in turn support a number of Council objectives. As the acquisition will generate additional income for the Council this will support revenue budgets that are linked to the expansion and regeneration of the City

### **4.4 Resources and Value for Money**

4.4.1 This is set out in the confidential appendix.

### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 Under Part 3, Section 3E(g) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of the Executive in relation to Asset Management.

4.5.2 The Chief Officer Economy and Regeneration, Head of Asset Management and Head of Land and Property have authority to take decisions in relation to Asset Management as delegated in the Director of City Development's sub delegation scheme.

4.5.3 The acquisition of this investment property is supported by Section 120(1) of the Local Government Act 1972 which authorises local authorities to acquire any land for their functions, including their investment functions, and for the 'benefit, improvement or development of their area'. The acquisition of the Property will be for the benefit of the area in that it will improve the Council's financial position generally, and will improve and develop the area by providing the Council with assets which will generate income to facilitate and enable future regeneration projects.

4.5.4 In addition, Section 12 of the Local Government Act 2003 authorises the Council to invest for 'any purpose relevant to its functions' and for 'the purposes of the prudent

management of its financial affairs'. Investing in the properties will generate an income for the Council and enhance the strength of the Council's investment portfolio.

- 4.5.5 These functions are clearly demonstrated by the Council's Southbank Growth Strategy in this part of the City
- 4.5.6 The terms provisionally agreed for the property in the attached confidential appendix have been concluded on the basis that contracts are exchanged before the end of March 2018. Should the sale not complete within the above timescale the Council would be at risk of the purchase price being re-opened for negotiation in open competition with other parties. For this reason it is proposed that this purchase is exempt from Call-in.
- 4.5.7 The proposal constitutes a key decision.
- 4.5.8 The Head of Land and Property confirms that in his opinion the terms offered to the Council represent a fair market price for the property.
- 4.5.9 The information contained in the Appendix to this report relates to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in relation to certain companies and charities. It is considered that since this information was obtained through negotiations for the purchase of the property referred to then it is not in the public interest to disclose this information at this point in time. Also the release of such information would or would be likely to prejudice the Council's commercial interests in relation to and undermine its attempts to acquire by agreement similar properties in the locality in that owners of other similar properties would be aware about the nature and level of consideration which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be available from the Land Registry following completion of the purchase and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under rule 10.4.(3) of the Access to Information Procedure Rules.

## **4.6 Risk Management**

- 4.6.1 These are detailed in the confidential appendix.

## **5 Conclusions**

- 5.1 It is concluded that the property as detailed in the confidential appendix is acquired by the Council.

## **6 Recommendations**

- 6.1 It is recommended that the Council acquires the property as detailed in the confidential appendix to further enhance its Investment Portfolio and support the HS2 Growth Strategy. The purchase is in line with the Executive Board approval from the meeting on 8 February 2017.

a) The Chief Officer Financial Services is recommended to:

- i) Approve the injection to the capital programme as outlined in the confidential report.
- b) The Director of City Development is recommended to:
  - i) Authorise the Head of Land & Property to instruct the agent to act on the Council's behalf as outlined in the confidential report.
  - ii) Authorise the purchase of the property at the cost outlined in the confidential report.
  - iii) Approve the authority to spend as outlined in the confidential report.
  - iv) Agree that this report is made exempt to Call-In for the reasons set out in paragraph 4.5.6 in the open part of the report.

## **7 Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.