



Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 8 SEPTEMBER 2022 at 5:30 pm

P R E S E N T:

Councillor Cassidy (Chair)

Councillor Batool
Councillor Joshi
Councillor Halford

Councillor Pantling
Councillor Porter
Councillor Thalukdar

Councillor Westley

In Attendance:

City Mayor, Sir Peter Soulsby
Deputy City Mayor, Councillor Clair
Deputy City Mayor, Councillor Clarke
Assistant City Mayor, Councillor Myers
Councillor Kitterick
Councillor Waddington

Also Present:

Youth Representative – Bhavneeta Khodiyar
Youth Representative – Kiera Finney

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22. APOLOGIES FOR ABSENCE

The Chair led on introductions and welcomed Youth Representatives Bhavneeta Khodiyar and Kiera Finney to the meeting.

The Chair noted that the meeting was taking place whilst people were deeply concerned for Her Majesty the Queen, who was very ill.

Apologies were received from Councillor Gee.

23. DECLARATIONS OF INTEREST

Members were asked to disclose any pecuniary or other interests they may have in the business on the agenda.

There were no declarations of interest made.

24. CHAIR'S ANNOUNCEMENTS

The Chair announced that there would be a special meeting of Overview Select Committee 27 September to primarily consider scrutiny of the Local Plan proposals. Details of the full programme of scrutiny, which included three further meetings across all the Commissions, had been made available to Members.

The Chair further announced the sad deaths of two former Councillors, Ann Glover and Maggie Bodell-Stagg, and that people would remember their dedicated public service, and Members' thoughts were with their families.

25. MINUTES OF THE PREVIOUS MEETING

Minute 1, Apologies for Absence – it was noted that Councillor Gee had requested an amendment to the previous minutes as he had forwarded his apologies for the meeting.

AGREED:

That the minutes of the meeting held on 30 June 2022 be confirmed as a correct record, subject to the amendment above.

Councillor Porter requested an amendment to the agreed minutes of the meeting held on 30 June 2022, Minute 12, Survey of Leicester:

As part of the discussions, it was noted that:

- *The cost of Council Tax was included within the utilities section*

He asked that the minute be amended to note points made at the previous meeting on 30 June 2022 that residents' Council Tax bills were not included in the survey, and in terms of people's difficulty with the cost-of-living crisis, rising gas and electricity bills, and food, that Council Tax should have been listed as a cost to residents.

26. PROGRESS ON ACTIONS AGREED AT THE LAST MEETING

Minute 12, Survey of Leicester – The Chair noted that there would be a further separate briefing with all Scrutiny Chairs on how the outcomes of the survey could be explored, which would take place once the full survey findings had been published.

27. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer reported that no questions, representations and statements of case had been submitted in accordance with the Council's procedures.

28. PETITIONS

The Monitoring Officer reported that no petitions had been received.

29. TRACKING OF PETITIONS - MONITORING REPORT

The Monitoring Officer submitted a report which provided an update on the status of outstanding petitions against the Council's target of providing a formal response within three months of being referred to the Divisional Director.

AGREED:

That the status of the outstanding petitions be noted, and to remove those petitions marked 'Petition Complete' Ref: 21/11/02, 22/01/01, 22/03/01 and 22/02/01 from the report.

30. CALL-IN - PURCHASE OF 22 MARKET PLACE

The Chair informed the meeting the agenda items would be heard out of order, and item 10, Call-In – Purchase of 22 Market Place would be heard next.

The Monitoring Officer submitted a report informing the Overview Select Committee that the Executive Decision taken by the City Mayor on 19 July 2022 relating to the purchase of 22 Market Place had been the subject of a five-member call-in under the procedures at Rule 12 of Part 4D (City Mayor and Executive Procedure Rules) of the Council's Constitution.

The Overview Select Committee was recommended to either:

- a) Note the report without further comment or recommendation. *(If the report is noted the process continues and the call in will be considered at Council on 29 September 2022); or*
- b) Comment on the specific issues raised by the call-in. *(If comments are made the process continues and the comments and call in will be considered at Council on 29 September 2022); or*
- c) Resolve that the call-in be withdrawn *(If the committee wish for there to be no further action on the call-in, then they must actively withdraw it. If withdrawal is agreed the call-in process stops, the call-in will not be considered at Council on 29 September 2022 and the original decision takes immediate affect without amendment).*

The Chair invited the sponsor Councillor Kitterick to address the Committee during which he made the following points:

- The call-in had been brought for two reasons; firstly the principal of the decision, and secondly the execution of the decision.
- In his time as a councillor, no one had suggested having a link between the market and Cank Street. The project was already looking to cost £3million even before the demolition of a building.

- He welcomed the £7.5million project for the upgrade of the market which was in need of an uplift.
- Everyone had recognised Dolphin Square as an unpleasant space and much had been done to improve it.
- During current times when money was tight for the Council, it did not merit a project that was likely to cost £5-10million.
- There was concern over the execution of property purchased in the city.
- The purchase being considered at the meeting was the purchase of a property and car park behind for £975,000, nearly a £1m building, and he questioned this valuation.
- Excluding legal fees and VAT, taking into account the stamp duty amount, and that the three years rent free period was valued at approximately £195k a year, and if the £46k of back log was added, the total came to £1.2million to purchase the building.
- Members had been told chartered surveyors had valued the property, but when looking at surveys, they did not match reality.
- When looking at the last accounts for 22 Market Place, Frank Gadsby Ltd. the building and tangible assets were valued at £471k, but the Council were going to purchase the property for a least £975k. Even taking into consideration accounting practice and depreciation, it was asked why there was such a discrepancy in the two figures.
- Members had been told the purchase was being made because it was a good investment but was for the purposes of a wider scheme on Cank Street.
- The figures in the report had talked about yield. On £975k a 5% net yield would provide the Council with £50k per year. But another property ready to be fitted out go was being advertised at £20k per year.
- Members had been told the upstairs could be turned into six residential units, but the report had not included the cost of turning them into residential units.
- A purchase made in December 2017 for 12-20 Market Place had cost the Council £1.8million. Six months later a private company purchased 24, 26 and 28 Market Place for £610k for a similar footprint. It was questioned why the Council paid 2.8 times the amount for its purchase for a similar footprint.
- In conclusion it was believed the purchases, were part of an ongoing pattern of investment in the City Centre that had already received millions of pounds that could have been spent in the poorer, outer areas of the city where there was a poverty crisis.

The Chair invited Councillor Waddington as a signatory to the call-in to speak, and she made the following additional points:

- She had questioned whether spending £1million on 22 Market Place would actually be of benefit to the residents of the city and could not see the logic.
- The Council's investment in various areas had benefited the city in terms of its income, such as employment units, which would be a better contribution to city centre and wider neighbourhoods in economic development, or would be better spent on housing, as Members were aware of the housing crisis in the city and long waiting lists.
- In the spending of public money, the Council should be looking at the public need and the public interest, and the purchase of 22 Market Place did not

represent good value for money or help meet the objectives of employment or housing.

The City Mayor responded that the professional judgement of officers had been sound and always of the very highest quality. He noted that members were also to receive a presentation on the Council's corporate estate, which indicated that over many decades there had been reliance on professional judgement for the purchase, administration and disposal of property, and in particular the income from property. He continued that the corporate estate was worth over £130million, that it produced several millions of pounds towards the Council's running costs every year, and it was very well managed.

The City Mayor added the property was worth its valuation and was in an area of strategic importance to the Council, being immediately adjacent to the Cank Street link. The purchase came at an appropriate time when the Council was looking at the future of that part of the city and looked to ensure it remained a vital part of the city centre for years to come.

The City Mayor reminded Members that it was often said that the only investment the Council made was in the city centre, when in fact the Council's overwhelming majority of the Council's investment was in outer neighbourhoods. Regardless of this, the city centre continued to serve as the city's shop window.

Richard Sword, Strategic Director City Development and Neighbourhood Services, delivered a presentation that provided an overview and background to the purchase of 22 Market Place. During its presentation it was noted that:

- The property was over five floors, at 5,357 square feet, and ran front to back from Cank Street to Market Place.
- There was car parking space for seven cars at the rear, which had development potential.
- The property was in an area of the city where the Council was looking to redevelop and invest.
- The building was not listed.
- The purchase was made up of front of shop for £800k, and the back land for £175k. It was important to separate out the two purchases as the values were calculated differently.
- There was a clear connection of land use with the previous purchase of 12-20 Market Place.
- To undertake the valuation, a Council employed Chartered Valuation Surveyor had valued the property, followed by an independent valuation, and then completed with comparison analysis.
- Yield had been calculated based on the 5,357 sq feet of space, with the ground floor and basement let at £26k per annum. Above the shop, the first, second and third floors would be let at £8k per annum, and the car park for £10.5k per annum; a total of £44.5k per annum.
- There would be a three-year rent-free period, which was included in the report, and with the RPI and the projection it was expected to be £50k per annum growth.

- There was a potential for yield increase and development, and a series of plans had been looked at for potential residential units.
- In ascertaining that the yield was correct, there had been various comparators taken from around the city, such as, the average per square foot around the location.
- The key comparable properties included 8 Market Place at £25sq ft in October 2021, 4a Hotel Street at £35sq ft in July 2021, and other various benchmarks.
- In response to claims that the Council purchased properties for more than their value it was noted that the Council was offered on average 50 properties for sale a year which were not purchased by the Council. It was reported that most times the value problem was with owners wanting more than the value of the property which could not be met. Alongside that, when the Haymarket was purchased, it had been offered at £5million more than the Authority bought it for.
- Furthermore, officers were currently working on a purchase in housing where owners wanted £8.7million, and when it was valued by two independent Chartered Surveyors and the Council's own surveyors it was substantially valued less by millions, and negotiations were ongoing with the owners.
- Independent valuers as professionals would use their own benchmarks around the city to arrive at a valuation. There were on occasion some valuation conflicts, but overall there tended to be a Red Book approach.

Members were given the opportunity to ask questions.

Councillor Porter raised the following points:

- Copies of the independent valuation had not been provided and this would have been helpful, and that something as important as the spending of over £1million should have been made available to Members.
- He noted the various purchases for 15 properties in Market Place and surrounding area, with an average price of £266,333. He said that the valuation of nearly £1million for the property and yield was over estimated.
- The presentation had given a figure per square metre which tallied with a property up for rent on 39 Gallowtree Gate at £149 per square metre.
- Mentioned in the report were the Council's objectives, but if the Council was to be seen to be transparent with the use of public money the report should include reasons for the purchase.
- There was a mention of compulsory purchase which would cost £100k more at 10%, which was believed to be hugely over inflated.
- The figure quoted for tangible assets in the company's accounts had alluded to other assets, but there was no separate valuation for the property.
- Based on information he had received and heard, Councillor Porter supported the call-in, and believed the Council should be spending the money more wisely in other areas and not necessarily in the city centre.
- There was a huge fall in the number of people travelling to the city centre, and the Park and Ride service had seen a 40% decline in the number of people using it.

- Market Traders wanted the Council to provide half an hour free parking around the market to support trade.

The City Mayor informed the meeting that he would present soon to the Overview Select Committee the footfall figures for the city centre, which would show the city centre had bounced back remarkably since the pandemic, as it was somewhere that people wanted to invest, live and shop.

The City Mayor mentioned the issue of the value of the property shown in the accounts of the company, which were the historic costs that were paid when purchased by the company. He added that what also helped to assess market price was the valuation completed by professionals, who advised the City Mayor and Members. He added that the proposals for the wider market development did need and deserve wider scrutiny as it was a large sum of money and offered to bring it to a future meeting with a presentation on the Cank Street link.

He added the case had been made to go ahead and he hoped Members endorsed the decision made.

The Chair welcomed the offer made by the City Mayor to bring information in relation to the wider market development and Cank Street link to a future meeting.

The Strategic Director responded to points made by Councillor Porter. He noted the property had been purchased in 2006 for £550k and was being accounted at that value. He added that in looking at property rise and RPI since 2006, the loan would take the figure around £930k.

He added when considering the other points raised on property figures, it was very difficult to make a legible comparison without knowing clearly the size and configuration of each property. It was further reported that the separate elements of the purchase had been explained, i.e. the basement, floors and car park had been separately calculated and the yield reached.

Councillor Kitterick responded that the corporate estate was substantial and had been acquired over decades. He added that he did, however, have concerns over yield figures at 5%. The yield figures were based on there being residential units above, but there was not budget for conversion. He reiterated that in 2017 the Council purchased a footprint property for £1.7million, and six months later an almost identical footprint was purchased privately for £610k.

Members of the Committee discussed the call-in further which included the following comments. Questions were responded to by officers present:

- Thanks were given to the officers. Also welcomed was the investment in the new market but noted that the surrounding areas of the market also required investment. It was stated that investment needed to continue to be made in city centres so they continued to survive.

- It was asked that with the six residential units they would be private, affordable housing, as with the current housing crisis any accommodation, no matter how small had got to be welcome.
- The professional judgement of officers was accepted, and there were no doubts over the valuation of the investment.
- The future investment announced in one of the best markets in Europe was highly welcome, as the city needed a vibrant area for people to visit and spend time, and the regeneration of the city centre was much needed for future generations to come.
- The yield over 22 years to get back the investment was considered to be reasonable.
- Members appreciated the Council's vision for the area, which improve the area for events. It was noted that so many people came into the city to enjoy it, and Councillors supported the overall vision.
- Purchasing property for investment was essentially good, but it had to prioritise what was good for the community.

The City Mayor said the first preference for any housing development was to provide council housing, which was easy to achieve and more economical in some places more than others. He supported the views of others to continue to invest in other parts of the city.

The Chair stated that it was important for Members to look at what was happening in the future and reminded Members the City Mayor had stated his intention to come back with an explanation on future plans for the area, and that it should not stop the purchase at this stage.

The Chair added he was of the opinion that the position reached by officers was correct, and was evidence based.

The Chair MOVED that:

“That the call-in be withdrawn, with there being no further action or need for consideration at Council on 29 September 2022, and the original decision to take immediate effect without amendment, and that the Committee shall receive a presentation at the earliest opportunity on the Council's plans for better connecting that part of the city.

The Motion was SECONDED by Councillor Westley.

On being put to the vote the Motion was carried.

AGREED:

1. That the call-in be withdrawn, with there being no further action, or need for consideration at Council on 29 September 2022, and the original decision to take immediate effect without amendment.
2. The Committee shall receive a presentation at the earliest opportunity on the Council's plans for better connecting the part of the city in question.

The Chair then announced to the meeting that he had been informed that Her Majesty had passed away and proposed that the meeting be adjourned.

Any urgent matters would be considered at a Special Meeting of Committee, or otherwise taken to the next ordinary meeting of Committee.

The City Mayor said he was grateful for the service that Her Majesty gave for such a long time. It was a deeply sad occasion, but hoped it was one to look back on her life with thanks and gratitude, with pleasure on the times she visited Leicester, inspiration given to us and others in the UK and around the world. She had been an astonishing figurehead and amazing example to us all.

The Chair MOVED that the meeting be adjourned. This was SECONDED by Councillor Westley and on being put the vote the motion was CARRIED.

The meeting adjourned at 6.57pm. The remaining agenda items would be considered at a future meeting of the Committee.

