
Executive Decision Report

Collaboration agreement and land sale
involving Homes England to enable regeneration at
Midland Street / Southampton Street

Decision to be taken by:

City Mayor

Date: 24 February 2026

Lead director/officer: Brendan McGarry

Useful information

- Ward(s) affected: Castle
- Report author: Brendan McGarry, Programme Manager Development Team
- Author contact details: 37 2139
- Report version number: V1

1. Summary

1.1 Land at Midland Street/Southampton Street is allocated in the city's Local Plan for regeneration. The council has acquired several land holdings in this area over several years and is now seeking to enter into a collaboration agreement with Homes England (HE) to accelerate regeneration. This would enable HE to take an equity interest in the project and to make grant monies available to the Council, to support delivery of an office led regeneration scheme with linked access/public realm improvements.

1.2 The collaboration agreement requires both parties to work together to deliver regeneration at Midland Street. Specifically, HE will purchase council owned land fronting Midland Street, Nichols Street and Southampton Street (See Plan 1 attached) for £1.15m and LCC will reinvest that receipt in further site assembly to enable comprehensive development. HE will also provide a £300k grant (plus VAT as applicable) for the Council to progress a planning consent for the wider area outlined in red on plan 2 attached.

1.3 This report seeks approval to enter into a one-to-one transaction made under the council's land disposal framework, on regeneration grounds. The land to be sold is in a key strategic location for developing office space adjacent to land already acquired by the council and next to the Phoenix Cinema. It also reserves the land required to create an access link to the Phoenix Cinema from St George Street, towards which Local Transport Grant from the Department for Transport has already been approved. The Collaboration Agreement aligns HE to these objectives and provides additional funding to progress the overall objective of comprehensive regeneration.

2. Recommendation

2.1 It is recommended that the City Mayor approves the council to:

- (i) enter into the collaboration agreement with Homes England as set out in the report,
- (ii) enter into a land sale contract to sell the site shown in Plan 1 attached to Homes England for £1.15m,
- (iii) enter into a 5-yr lease with Homes England
- (iv) add £300k (Plus VAT as applicable) as an immediate start to the 2026/27 general fund capital programme for costs in gaining planning consent for the site, financed by Homes England grant.

3. Supporting information including options considered:

Strategic Background

3.1 Leicester has a need for new office stock. Existing stock is becoming increasingly obsolete, converted for residential use and it is not being replaced. This is hindering the city as an inward investment prospect as businesses cannot find the quality of space they require. This has consequences for the vitality of the city centre due to a reduction in footfall and spending power of office workers.

3.2 The lack of available space is a consequence of long-term supply-side failure in the market, even in the face of strong demand. Good space, when available is quickly taken up and the market has been unable to deliver new space alone. For 30-years or more, office space has only been developed in the city centre because of intervention by the council through direct office delivery or other support.

3.3 City centre office developments generally tend not to be viable outside the Southeast, and larger commercial provincial cities e.g. Manchester and Birmingham. This is because rents are much higher in those locations and therefore support speculative commercial development. New offices recently delivered outside these areas in places such as Coventry, Stoke and Stockport all have some degree of public sector backing.

3.4 The Midland Street site is allocated in the Local Plan for offices (minimum of 20,000 sq.m) and linked residential regeneration.

3.5 The strategy for public intervention at Midland Street is to gain public sector control of land, prepare it for redevelopment and then market the development opportunity. This approach makes the sites ready to build on and takes away uncertainty of cost and time from an office developer. All options have been explored to lever in additional public funding to help realise the council's regeneration priorities.

3.6 Alternative options considered include: Do nothing and rely on the local plan allocation and private led development. This would not deliver the outcome sought for the reasons outlined above

Land sale to Homes England

3.7 The Council has been in negotiations with HE to bring additional public sector resource to help deliver the strategic objective of delivering much needed offices into Leicester. This report captures the outcome from those discussions, and it is hoped will be the start of a continuing relationship with HE, including the potential to unlock additional funds as they become available.

3.8 Different funding options have been explored with HE within the scope of their funding programmes and HE has advised it needs to acquire a land stake to meet its funding programme criteria. HE has intervened on strategic regeneration sites with other Councils on a similar basis recently.

3.9 HE has agreed to acquire the site for £1.15m, which is marginally more than the council acquired the land for in the approved land exchange with Rakal Ltd. The two

independent valuations used in this recent land exchange have also been used to establish the value of the site to be disposed to HE to ensure consistency. The receipt will be re-cycled to acquire further land to enable comprehensive regeneration in the area in line with the council's planning strategy.

Collaboration Agreement with Homes England

3.10 The land sale is subject to a collaboration agreement, which sets out the relationship and obligations of both parties. The terms of this agreement mirror the council's strategy i.e. an office led mixed use development on land adjacent to Phoenix.

3.11 The key points of the collaboration agreement are set out below:

- a. HE will buy the site shown in plan 1 attached from the Council for £1.15m and that this capital receipt be re-cycled by the council into further land purchases to enable regeneration of the area.
- b. HE will assign a strip of land to the west of the site to enable the new pedestrian link to the Phoenix at no cost to the Council. The value of this land represents a further subsidy from HE of £200k.
- c. HE requires the land sale to be completed by the end of March 2026.
- d. HE will grant the council a five-year contracted out lease at £1pa for the council to manage the site and it can be used for storage/compound etc during this time. The council will split any rent achieved over £10k pa with HE.
- e. In addition, HE will provide £300k (plus VAT as applicable) for the council to assist with obtaining a suitable planning consent to provide more certainty for delivery of development for the council and any private developers who may eventually deliver schemes here.
- f. The council and HE will create a formal forum to discuss progress of scheme.
- g. Any land receipts from the future sale of any sites in this area, that become jointly owned by HE and the Council, to developers will be shared on a pro-rata basis.
- h. Neither Party will dispose of their land within the regeneration area during the term of the collaboration agreement unless mutually agreed and/or pursuant to the fulfilment of the agreed planning position.
- i. If at the end of the third year there is no material and evidential market interest in developing the acquired site in keeping with its planning policy allocation, then the parties agree that they will review the planning compliant scheme. This review may seek a departure from the policy position and variation to any planning permission to respond to prevailing market conditions. The council will have planning control in this scenario.
- j. At the end of the collaboration agreement, if the HE owned site remains un-sold and there is no live market interest in it, the council may exercise an option to buy back the freehold at market value, albeit HE may decline to proceed if the exercise price is less than the purchase price of £1,150,000.

Benefits of entering into a collaboration agreement with Homes England

3.12 Entering into this agreement with Homes England has the following advantages for the city council:

- a. It provides significant government funding to accelerate regeneration of the area at a time when funding opportunities are very limited for regeneration projects.
- b. The funding allows additional land to be purchased to further unlock the regeneration of the area. It also funds securing planning consent needed to attract developer interest, at no cost to LCC.
- c. HE involvement brings the potential for further grant funding as typically happens on such schemes.
- d. Assignment of the land the council requires for the access link to Phoenix is included in the land sale provisions.

4. Financial, legal, equalities, climate emergency and other implications

4.1 Financial implications

The purpose of this report is to recommend the council enters into a collaboration agreement with Homes England. The main financial aspects of this agreement include the following:

- That the site will be sold to Homes England for £1.15m, which is marginally more than the Council paid for it, and that this receipt be earmarked for future acquisitions in the area.
- That an 8m strip of land being sold (valued at approx. £200k) will be dedicated back to Council for nil consideration for adopted public realm and highway.
- That a grant of £300k (plus VAT as applicable) will be awarded to the Council for progressing planning consent.
- That any future increase in land value of sites jointly owned by HE and the Council will be shared pro-rata based on each party's equity share.
- That the Council will enter into a 5-year peppercorn lease of the site. Since the site is already secure, it is not anticipated that any costs would fall to the Council. The Council may avoid costs by using this site during the lease term.
- The Council will expend up to £15k in legal fees, that will be funded from the Land South at Phoenix capital project.

Stuart McAvoy – Head of Finance
16th February 2026

4.2 Legal implications

4.2.1. The Council has a legal obligation to dispose of land at the best consideration reasonably obtainable in accordance with s.123 of the Local Government Act 1972 (as amended). Open marketing is acknowledged to achieve best consideration. Without an open market exercise, officers cannot be absolutely certain that best consideration has

been achieved as there is the potential risk that a higher value could have been achieved through exposure to the market.

4.2.2. The proposal to dispose of property on the basis of a one-to-one transaction without open marketing must also be in accordance with the Disposal Policy Framework forming part of the Council's Constitution. The Executive will need to be satisfied that the disposal accords with the relevant provisions of the Framework relating to regeneration and one-to-one (special purchaser) disposals. The disposal to HE is required to secure their funding

4.2.3. Valuations have been obtained for the parcel of land.

Zoe Iliffe, Principal Lawyer (Property, Highways & Planning)
11th February 2026

4.3 Equalities implications

4.3.1 There are no direct equality implications arising from this report, however going forward when development plans or funding is in place, the Council needs to ensure equality considerations are considered, including any accessibility requirements.

Sukhi Biring, Equalities Officer, 454 4175 11th February 2026

4.4 Climate Emergency implications

4.4.1 City centre buildings are a major source of carbon emissions in Leicester. Following the city council's declaration of a Climate Emergency in 2019, and its aim to achieve carbon neutrality, addressing these emissions is a vital part of the council's work, particularly within the council's own buildings.

4.4.2 If further development works are carried out in the future these projects should individually assess opportunities to further reduce carbon emissions, in line with council policies.

Phil Ball, Sustainability Officer, Ext 37 2246 11th February 2026

4.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

Non-Applicable

5. Background information and other papers:

None

6. Summary of appendices:

Appendix A - Confidential valuation reports (details to be released once a contract is signed)

7. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

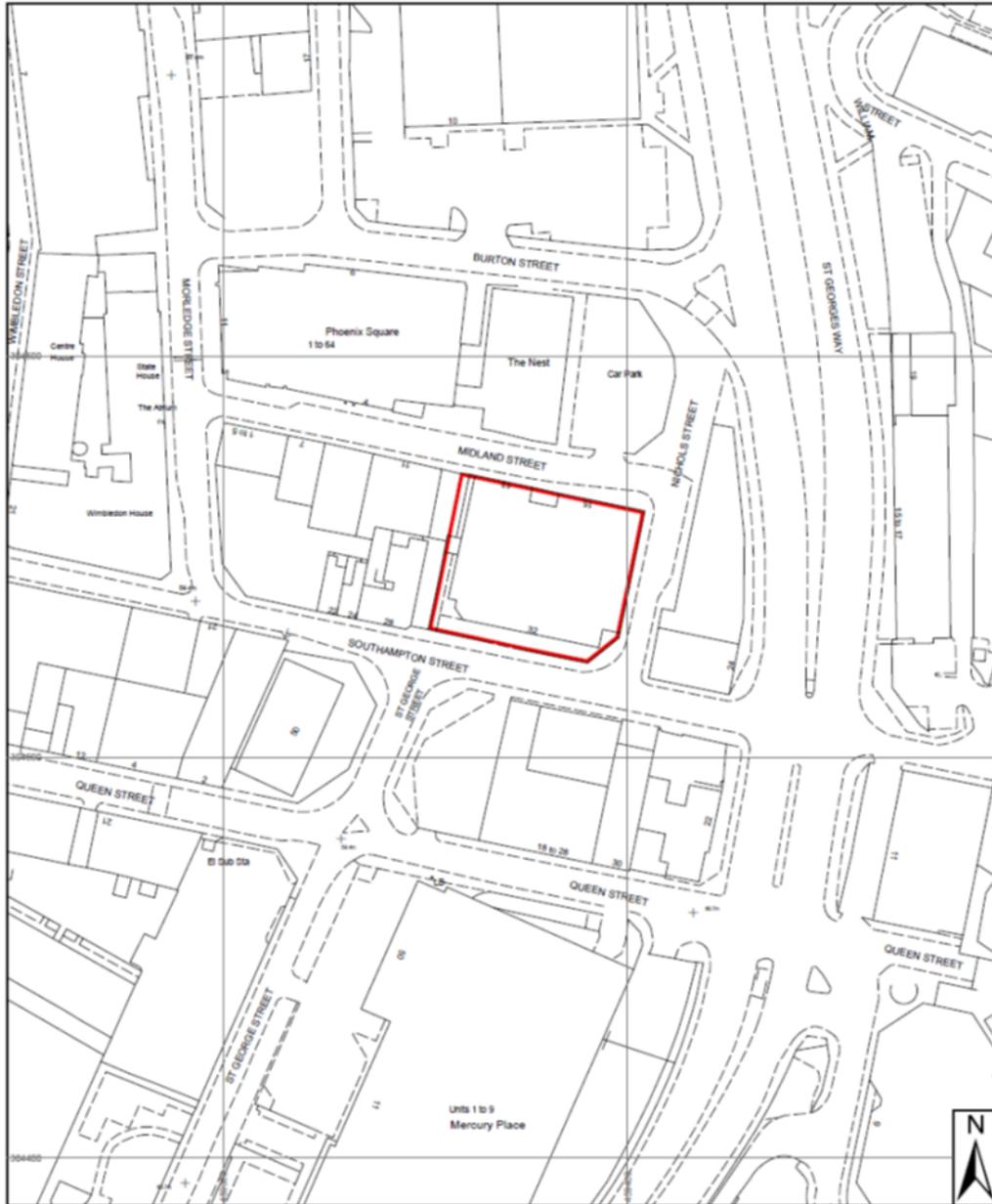
No.

8. Is this a “key decision”? If so, why? No.

Appendix A – Commercially Sensitive

- 1.1 The Council has obtained and relied on two independent valuations by Shonki Brothers and Innes England which are appended to this report and will be released when the land sale is completed.

Plan 1



Title
FOR INFORMATION PURPOSES ONLY
 Regeneration Parcel C
 Midland Street Regeneration Area
 Leicester

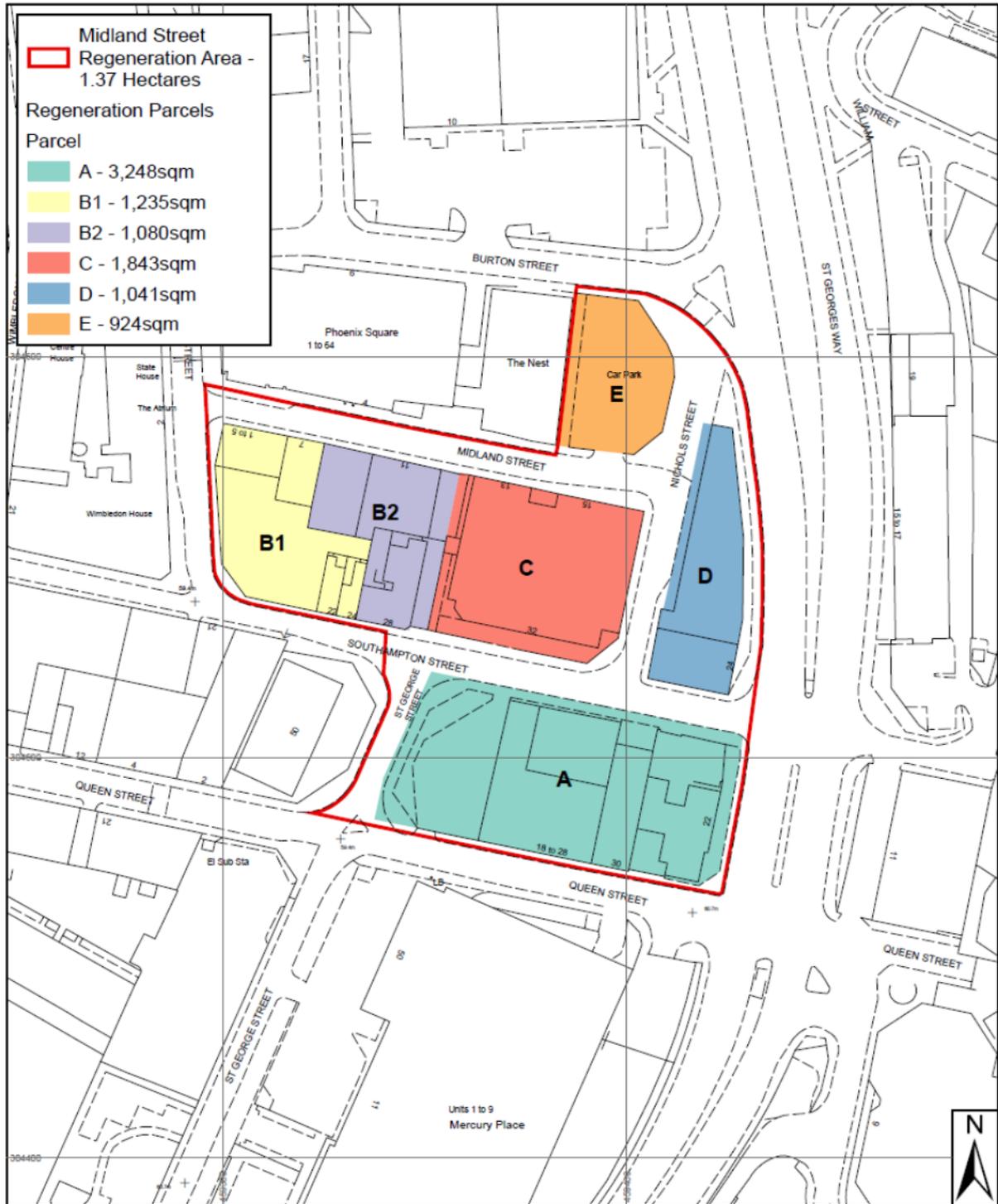


The Housing and Regeneration Agency

TMS Ref	Parcel Ref
-	-
Plan Ref 65930_004	Date 25/11/2025
	Scale 1:1,250
	Size A4

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Plan 2



Title
Regeneration Parcels
Midland Street Regeneration Area
Leicester



The Housing and Regeneration Agency

TMS Ref	Parcel Ref
-	-

Plan Ref: 65930_002_RevB Date: 25/11/2025 Scale: 1:1,250 Size: A4

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