
Executive Decision Report

Land exchange to enable regeneration at Midland Street / Southampton Street in the Cultural Quarter

Decision to be taken by: City Mayor

Date: 26 November 2025

Lead director/officer: Brendan McGarry

Useful information

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

1. Summary

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 a number of years, and is seeking a land exchange to support delivery of an office led regeneration scheme with linked access/public realm improvements.

This report seeks approval to enter into a land exchange agreement with Rakal Ltd involving land it owns land at Midland Street / Southampton Street and land the council owns at Queen Street/Southampton Street. See Plan 1 attached in the report. The Council will make a balancing payment to reflect the higher land value of the Rakal site.

This will be a one-to-one transaction made under the council's land disposal framework, on regeneration grounds. The land to be acquired 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 provides land to create an access link to the Phoenix Cinema from St Georges Street for which Government Local Transport Grant has previously been approved.

2. Recommendation

It is recommended that the City Mayor:

- 2.1 Approves the Council entering the land exchange arrangement by acquiring the freehold of Plot A from Rakal Ltd in exchange for the freehold of Plot B to Rakal Ltd, as indicated in Plan 1, on terms set out in this report.
- 2.2 Notes the estimated cost of £400k of the exchange, including the balancing payment, SDLT and legal / survey work, financed from budgets within the approved General Fund capital programme (£265k from 'Land South of Phoenix' and £135k from CDN Feasibilities).

3. Supporting information including options considered:

Rationale for intervention

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 in places like 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 recommended strategy for public intervention at Midland Street is to gain 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 the office developer.

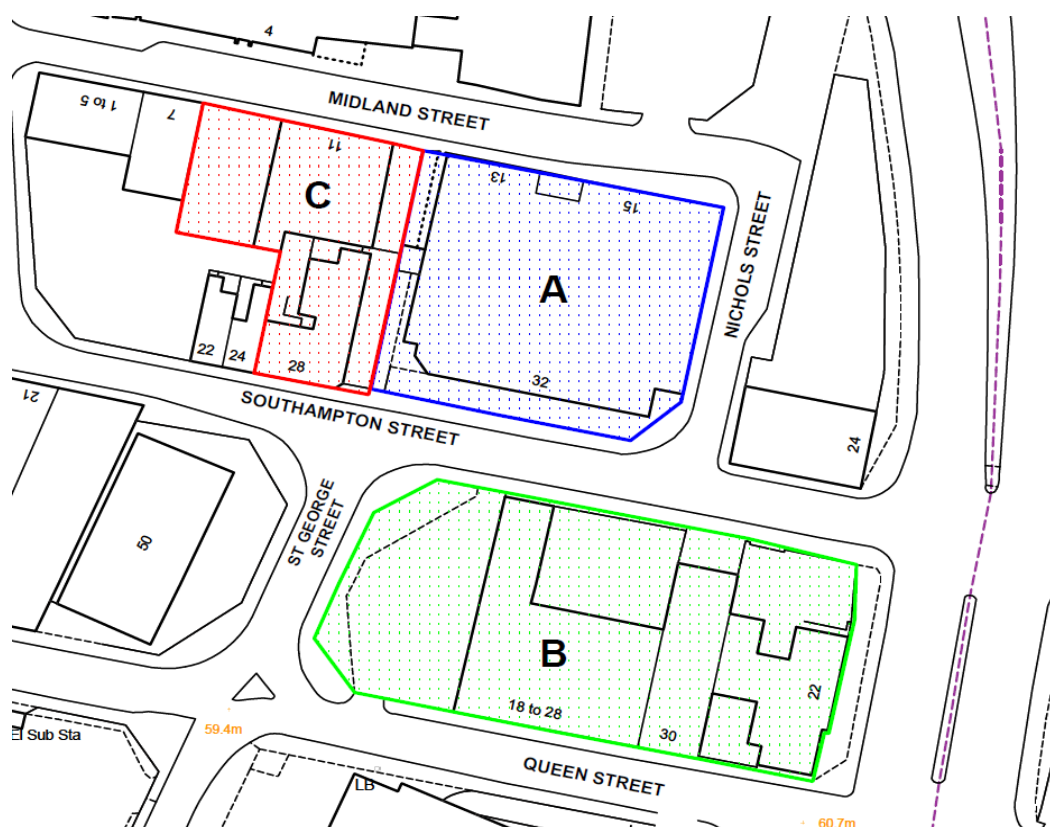
3.6 Alternative options considered include:

- 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.
- Move beyond site assembly and preparation into direct delivery of office space. This option might be appropriate in the future, subject to identifying additional funding. Similar approaches, such as at Canopy and LCB Depot, have relied on the council having control of the sites and access to grants.

Land Exchange

3.7 To deliver a comprehensive office led development, a land exchange is required, to assemble land ownerships in this area. The Council has approached Rakal Ltd, a residential developer, to undertake a land exchange and terms have been agreed in respect of the Rakal block (plot A) and Council-owned land to the south (plot B).

Plan 1



3.8 Gaining control of the Rakal block (Plot A) gives the Council:

- A coherent development parcel adjacent to other land acquired by the council, site C.
- A stronger case for external grant for further site assembly.
- The opportunity to control land to deliver a new pedestrian link to extend the St George Street pedestrian scheme through to the entrance to the Phoenix Cinema. This is part of wider public realm/highway improvements to improve access and landscaping in the Cultural Quarter. Local Transport Grant DfT funding has been allocated to deliver this.
- Potential delivery of residential development on land to the south will enhance the values, and the setting of the Councils land allocated for office development

Land value and balancing payment

3.9 The objective of this land exchange is to ultimately deliver new offices and residential units as per the emerging Local Plan allocation. The site the Council is acquiring as part of the land exchange is a former car repair garage (formerly Big John's autos) which was in a poor state of repair, and which was until recently used as a temporary car park. It was considered a blight on the surrounding neighbourhood.

3.10 Rakal Ltd want to develop the block currently in Council ownership for residential purposes. This is likely to come forward before any office scheme is delivered and does not require further public realm improvements. The Big Johns Auto site is currently in Rakal's control, and they have recently demolished it.

3.11 The two land exchange sites have been valued by two external RICS Registered

Valuers. Full valuation details are included in the confidential Appendix A which will be released once a contract is signed. The two valuations confirm that the land exchange with a balancing payment of £180k made by LCC is the correct approach to ensure the agreement is equitable to both parties.

Vendors Costs

3.12 As the exchange is being instigated by and is for the benefit of the Council, terms have been agreed to pay reasonable costs incurred as a result of the transfer of Plot A to LCC. These are fees and costs that would not have been incurred if the land exchange was not undertaken.

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

6.1 Financial implications

The total cost to the Council of the proposed land exchange is £400k, as follows:

1. £180k balancing payment, an agreed sum to represent the difference in value between the 2 sites.
2. £220k for Stamp Duty Land Tax (SDLT) for both sites, legal, valuation, administrative costs, and contingency.

This would be funded from existing budget approvals within the 2025/26 capital programme. This includes £265k from the Land South of Phoenix project, with £135k from the CDN Feasibilities work programme (in which budget had been provisionally allocated for this purpose).

The financial implications for any future development and use of the site will need to be considered as and when proposals are brought forward.

Stuart McAvoy
Head of Finance – 12 November 2025

6.2 Legal implications

6.2.1. 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.

6.2.2. 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.

6.2.3. The Council has power to acquire property under section 120 of the 1972 Act to benefit, improve or develop its area. While there are no "best consideration" duties

imposed on local authorities under the powers of acquisition, the Council still has fiduciary duties to act in the best interests of its residents.

6.2.4. Valuations have been obtained for the parcels of land. The disposal of the Council plot in exchange for the acquisition of land of similar value with the inclusion of the balancing payment of £180k would appear to be an exchange at best consideration. It will also result in the Council being able to progress site assembly for further development opportunities.

Zoe Iliffe, Principal Lawyer (Property, Highways & Planning)
6 November 2025

6.3 Equalities implications

6.3.1 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, 12 November 2025

6.4 Climate Emergency implications

6.4.1 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 it's aimed to achieve carbon neutrality, addressing these emissions is a vital part of the council's work, particularly within the council's own buildings.

6.4.2 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, 10 November 2025

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

Non-Applicable

7. Background information and other papers:

None

8. Summary of appendices:

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

9. 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.

10. Is this a "key decision"? If so, why?

No

Appendix A – Commercially Sensitive, Not for Publication

- 1.1 The Council has obtained two independent valuations by Shonki Brothers and Innes England which are appended to this report. The Shonki Brothers valuation confirms the council's final valuation position as this takes into account marriage value as the council owns adjacent land.
- 1.2 The City Council is acquiring land worth a minimum of £1.125m from Rakal and disposing of a site worth £930,000, a difference of £195k in LCC's favour.
- 1.3 This means the Council is receiving an asset worth £195k more to it, than the site it is relinquishing. The Council has agreed to pay a balancing payment of just under this at £180k.
- 1.4 The SDLT payments are estimated to be £82,500, payment of Rakal's fees are estimated to be circa £50k (these include legal fees, valuation fees for both Rakal and the bank which has a loan against the property) and the balancing payment is confirmed at £180,000 plus VAT.