

Report subject	Christchurch Civic Offices
Meeting date	25 October 2023
Status	Public Report
Executive summary	This report presents a proposal to dispose of Christchurch Civic Offices.
Recommendations	<p>It is RECOMMENDED that Cabinet recommend that Council:</p> <p>a) After consideration of any feedback from a consultation with Christchurch Town Council, approve the disposal of the former civic offices in Christchurch on such terms to be approved by the Chief Financial Officer, also acting in his capacity as Corporate Property Officer, in consultation with the Portfolio Holder for Finance.</p>
Reason for recommendations	To obtain approval for the disposal of the former civic offices in Christchurch.
Portfolio Holder(s):	Cllr. Mike Cox, Portfolio Holder for Finance
Corporate Director	Ian O'Donnell, Corporate Director for Resources
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Wards	Christchurch Town;
Classification	For Recommendation

Background

1. Christchurch Civic Offices was the former head office location for Christchurch & East Dorset Council, prior to the 2019 Local Government Reorganisation (LGR) in Dorset. Following LGR the site was declared surplus with the consolidation and relocation of staff to the Bournemouth Civic Campus and subsequently now stands vacant.
2. Details of the site are set out in confidential **Appendix A**.

Principles developed by the Cross-Party Asset Disposal Working Group

3. Through a series of meeting across March, April, and the June the cross-party asset disposal working group developed a series of principles to be applied to determine future asset disposals. These principles, which were subsequently endorsed by Cabinet on the 26 July 2023, can be set out as follows.

Principle 1: We will ensure sufficient assets disposals are secured to enable the councils Transformation Programme costs to be fully funded by the Flexible Use of Capital Receipts. This will require disposal of assets where completion can be guaranteed by the 31 March of the relevant financial year and to the required amount.

Principle 2: Pursuant with s123 of the Local Government Act 1972, we will ensure Best Value is achieved in respect of any asset disposal by ensuring the value achieves the red book valuation as a minimum. We will also consider the use of overage clauses, where appropriate, to benefit from any future uplift in value.

Principle 3: We will constantly challenge ourselves as to the basis for holding any asset to ensure our portfolio is managed in an efficient and effective way. Holding costs and ability to reduce carbon footprint will be salient factors.

Principle 4: We will look to dispose of surplus, under-used, vacant land & buildings unless there is a strong strategic rationale for holding them for example - support future service delivery, regeneration, housing, or place making.

Principle 5: Provided consistent with other principles, we will support the acquisition of assets by community organisations and other public sector bodies such as Town and Parish Councils.

Principle 6: Estates Team capacity will be focused on the delivery of the required asset disposals.

4. The Council is currently spending £9,000 per month in holding costs associated with Christchurch Civic Offices.
5. The application of these principles, particularly principle 4, means the council should now be looking to dispose of the former civic offices in Christchurch. This is also supported by the councils Asset Management Strategy which emphasises that the council should constantly challenge itself as to the basis for holding any asset to ensure its portfolio is managed in an efficient and effective way. It should reflect on the cost to the public purse of holding assets and should dispose of surplus, under-used, vacant land, and buildings.

Conditions associated with any disposal.

6. In considering the disposal of this asset there are a number of factors which need to be resolved including.

- **Long leasehold or freehold.**

To maximise interest in the sale and to maximise the capital receipt the advice would be a freehold sale. This would transfer the entirety of the site and the risks associated it to the buyer. As an alternative the sale could be made conditional based on matters such as planning permission. It may also be possible to agree for a share of any increase in value of the land generated by the development through an overage agreement.

The sale by way of grant of a development lease would generate less interest and a lower capital receipt but would mean the council retain an element of control through the need for the lessee to obtain advance approval of planning applications and the ability to restrict the proposed use, requiring the site to accommodate commercial development only for example.

Recommended option would be:

- *A freehold disposal.*
- *Sale by a private treaty process.*
- *Inclusion of an overage clause will be considered as part of the sales process.*

- **Whole site or subdivided into small plots.**

The boundary of the asset that will be sold has been adjusted to exclude Bridge Street Car Park. This will also ensure an income generating asset is retained by the council and a well-used parking facility kept back to support Christchurch town centre. It also ensures that the public conveniences remain available for public use.

Recommended option is that the council retain Bridge Street Car Park.

- Sold as seen or sold subject to planning conditions.

Sold as seen is the quickest route to the delivery of a capital receipt and the quickest route to avoiding ongoing holding costs and ownership risk. A sale subject to planning may generate a higher receipt value but the risk of the planning process sits with the council.

This route would also delay the capital receipt as unless and until an acceptable planning permission is obtained the buyer would only have to pay a deposit normally set at 10% of the purchase price.

Recommended option sold as seen.

7. Due diligence associated with the valuation process will determine the extent to which overage clauses relating to future developments on the site are included in the sales contract.
8. A consultation process with Christchurch Town Council will be undertaken via James Atkinson the Acting Town Clerk.

Options Appraisal

9. Cabinet on the 8 March 2023, and Council on 21 March 2023, considered an Outline Business Case (OBC) from BCP FuturePlaces Ltd to repurpose the former Christchurch civic offices as an 84-bed hotel with the rear car park partially used for parking to support the hotel use and partially for the provision of approximately 36 new homes. This option would have required the council to prudentially borrow £26.5m over 50 years and take on the development and investment risk associated with the proposal. In addition, the financial modelling indicated a viability gap of £0.7m per annum between the annual cost of operations and debt servicing, compared to the income it is forecast to generate. Council decided to defer the decision to move to the project to Full Business Case stage and commit costs estimated at £969k.
10. This options appraisal considered other options such as.
 - (a) Do nothing.
 - (b) Do the minimum - retain and upgrade the car park, and use building for low value meanwhile letting.
 - (c) Redevelop the Civic Offices as offices with residential to the rear car park.
 - (d) Market the site for sale – retain Bridge Street car park and upgrade.
11. The BCP FuturePlaces Ltd Outline Business Case was also considered by the Place Overview and Scrutiny Committee on the 2 February 2023.
12. A link to the BCP FuturePlaces Outline Business Case is provided in the background papers section of this report.

Summary of financial implications

13. The current estimated sales value is included in confidential Appendix A. This value will be subject to an independent RICS Red Book valuation to determine an updated Market Value for the purposes of disposal. The Council will also look to offset any costs associated with the disposal from this capital receipt.

Summary of legal implications

14. The Council is empowered to sell land that it holds, and it may do so in any manner that it wishes. (This is however subject to the proviso that the Secretary of State's consent is needed to any disposal which is considered not to be best value or is to be at an undervalue).
15. The council may therefore choose to sell the property freehold (unconditionally or subject to conditions) or may offer to grant a long leasehold (of sufficient duration to enable development).
16. The offer for sale of a leasehold interest or a freehold conditional on the grant of planning permission may enable greater control over the development if, for example, mechanisms are included to ensure approval of planning applications prior to submission to the council as Local Planning Authority.
17. However, it should be noted that the terms on which the land/interest in the land is offered for sale will affect the valuation of the land (which will be undertaken in accordance with the RICS red book.)

18. Further it should be noted that steps will need to be taken to prepare the legal title for disposal. For example, it will be necessary to close the car parks prior to the disposal of the land. The timings of such actions will depend on the interest which is being disposed of at the time.
19. Once a marketing agent has been appointed, they will deal with all expressions of interest received, negotiating heads of terms prior to acceptance of the offer. It is not possible to estimate a timescale for the marketing stage as it depends on the level of interest in the site.
20. It is only once an offer is accepted that instructions are issued for the lawyers to negotiate the formal contract & transfer. During this period the purchaser will also undertake searches and raise queries on the property which must be responded to.
21. The legal work can take at least 12 weeks from acceptance of an offer to reach contractual completion. Depending on the actions that the prospective purchaser needs to take, this timescale could be even longer and in many instances is not open to influence by the seller.
22. For these reasons it should be noted that it is not guaranteed that the capital receipt will be achieved in the 2023/2024 financial year.

Summary of human resources implications

23. There are no direct human resources implications of this decision.

Summary of sustainability impact

24. The Asset Management Plan recognises the estate should be sustainable and carbon neutral and will play a key role in the council achieving these targets. Disposal of surplus assets will reduce the councils carbon emissions.

Summary of public health implications

25. There are no direct public health implications associated with this decision.

Summary of equality implications

26. On the basis that a decision to close Christchurch Civic Offices and consolidate the staff into the Bournemouth site has already been made then this decision will not have any direct equality implications.

Summary of risk assessment

27. The key risk associated with the recommendation of this report is that prevailing economic conditions and the key risks associated with the site dampen demand for the Christchurch Civic Offices site and a disposal is not achieved.
28. The site itself has a number of specific risks, as set out in the BCP FuturePlaces Ltd outline business case, the most significant of which are as follows. However, their impact will depend on any purchasers' proposals for the site.
 - that the site is in high-risk flood zone 3 and therefore any application for major development would be subject to the sequential and exceptions tests. The sequential test is carried out to ensure that development is sited on land that has the lowest risk of flooding. It looks within a defined area of search to see if an alternative site for the proposed use exists.

- The building is not viewed as end of life but contains significant carbon content. A developer could find it difficult to justify demolition without considering other options and associated whole life carbon impacts. This risk has been recently highlighted by the Secretary of State (SoS) call in and subsequent refusal of planning permission for the proposed demolition and redevelopment of the M&S flagship store in Oxford Street, London. The SoS considered that the failure to encourage re-use of resources and the embodied carbon impacts weighed against the scheme, as did the heritage impacts. As the Christchurch Civic Centre building is of a difficult internal structure configuration it could be expensive to retrofit/ refurbish/redevelop to an acceptable sustainable standard that allows total inclusive access and will achieve a viable return. This could limit investor/ developer appetite.
- Introduction of tighter Minimum Energy Efficiency Standards (MEES) regulations. Christchurch Civic Offices currently has a EPC rating of D (valid until 30/10/27). Proposals have been initiated for requirements of a minimum EPC rating of “C” in 2027 and “B” in 2030 to be able to let a commercial building. Whilst these proposals have yet to be enacted and there are various exemptions. Investors are becoming more concerned about the environmental sustainability credentials of the assets they are investing in.

Background papers

29. Cabinet 8 March 2023

BCP FuturePlaces Ltd – Outline Business Cases for Christchurch Civic Centre Buildings

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5357&Ver=4>

Appendices

Appendix A **Confidential Appendix** – Christchurch Civic Centre Asset Details