

Report subject	Poole Civic Centre
Meeting date	2 October 2024
Status	Public Report
Executive summary	<p>This report presents a proposal to dispose of Poole Civic Centre.</p> <p>Local taxpayers have covered over £2.5m in operating costs for this asset since April 2019. A value which is increasing by circa £19,000 per month. If sold the expectation is that the private sector would bring forward a housing and hotel development proposal in line with the BCP Local Plan categorisation for the site. The Grade II listing of the main building and the local listing of the annexe building would protect characteristics of the buildings.</p> <p>The proposal to disposal of Poole Civic Centre was considered by the cross-party strategic asset disposal working group on the 20 September 2024. The draft minutes of this meeting are presented as a confidential appendix to this report (Appendix C). The approved recommendation of the working group was as follows.</p> <ul style="list-style-type: none"> a) <i>If Cabinet is so minded to dispose of the site, that it does so by way of an open process, marketing the site on the open market for a 2-3 month period of time;</i> b) <i>Cabinet is provided with a detailed report of bids received to support them in their decision making which includes social, environmental and financial benefits."</i>
Recommendations	<p>It is RECOMMENDED that Cabinet recommend that Council:</p> <ul style="list-style-type: none"> a) note the confidential draft minutes and the recommendations of the Cross-Party Asset Disposal Working Group meeting held on the 20 September 2024. b) Approve the disposal of the former civic centre in Poole 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.
Reason for recommendations	To obtain approval for the disposal of the former civic centre in Poole.

Portfolio Holder(s):	Cllr. Mike Cox, Portfolio Holder for Finance
Corporate Director	Adam Richens, Director of Finance
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Wards	Parkstone
Classification	For Recommendation

Background

1. Poole Civic Centre was the former head office location for Poole Council, prior to the 2019 Local Government Reorganisation (LGR) which created BCP Council. Following LGR the site was declared surplus with the consolidation and relocation of staff to the Bournemouth Civic Centre and subsequently now stands vacant.
2. Further to the approval of the BCP FuturePlaces Ltd business plan in June 2022 they brought forward an Outline Business Case for the Poole Civic Centre site to Cabinet in March 2023. This report recommended that Council commit to the development of a Full Business Case at an estimated cost of £1.061m. It also asked Council to agree that the needs of the Poole Charter Trustees will be accommodated within the redeveloped Poole Civic Centre and that a location for the Coroner's Service will be progressed by the council's Transformation Programme, Assets and Accommodation workstream.
3. The Outline Business Case was based on delivery of a hotel and residential development with the council taking the development and investment risk associated with a £46m boutique hotel with part of the funding coming from the sale of residual land for residential development once the master plan had been completed.
4. Comprehensive discussion took place at Council who made the following resolution.
 - a) not to move the project to Full Business Case stage and not to commit costs estimated at £1.061m at that time. Instead to pause this project for further consideration of the Outline Business Case for the former Poole Civic Centre site as set out in Appendix A to that report and further consideration of the potential costs and benefits of the options contained therein, by the next administration of this Council following the forthcoming May 2023 elections.
 - b) agrees that a permanent home for Poole Charter Trustees will be accommodated within the Poole Civic Centre building, utilising established historic Mayoral rooms within the redeveloped Poole Civic Centre; and

- c) that a location for the Coroner's Service will be progressed by the Council's Transformation Programme – Assets and Accommodation Workstream.
5. Following the May 2023 local elections the decision was taken via "The future of BCP FuturePlaces Ltd, investment and development" report to Cabinet in September 2023 to close BCP FuturePlaces Ltd. The report also set out that following a review of the Future Places projects, the Estates Team should progress the sale of the Poole Civic Centre site and therefore the report sought to obtain council approval to disposal of the former civic offices in Poole.
 6. Following a robust discussion Cabinet did not support the recommendation regarding Poole Civic Centre and instead supported the recommendation from the Corporate and Community Overview and Scrutiny Committee to defer the decision with a report being brought back in 2024. This deferral would enable all councillors to fully understand the options for the Poole Civic Centre particularly around leasehold and freehold option and to address issues associated around that part of the building referred to as "the vertical slice" which was the element previously earmarked for the Charter Trustees.
 7. Details of the site are set out in confidential **Appendix A**. The Civic Centre was built in the 1930s and extended in the 1980s. Accommodation is over three storeys, and the building was Grade II listed in 2019. The Civic Centre Annexe dates from the 1960s and is locally listed. The BCP Local Plan categorises the site as for a housing and hotel development.

Principles developed by the Cross-Party Strategic Asset Disposal Working Group

8. Through a series of meetings across March, April, and June 2023 the cross-party strategic 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.

9. The Council has spent £2.5m in operating costs associated with Poole Civic Centre since April 2019. This amount is set out in detail figure 1 below and means that approximately £19,000 is currently being spent per month in holding costs associated with civic centre.

Year	£
2019/20	690,364
2020/21	629,007
2021/22	647,251
2022/23	346,075
2023/24	222,091
Total	2,534,788

10. The application of these principles, particularly principle 4, means the council should now be looking to dispose of the former civic centre in Poole. 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.

11. In considering the disposal of this asset there are several 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 to the buyer.

As an alternative the freehold sale could be made conditional based on matters such as planning permission.

It is also possible in a freehold sale to agree for a share of any increase in value of the land generated by the development through an overage agreement.

The alternative would be a sale by way of grant of a development lease that would enable the council to 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. It will also ensure that the site is developed out by the purchaser.

A freehold sale would generate more interest from developers/investors than a leasehold sale. A leasehold sale impacts on the marketability of the property for several reasons such as the lease terms, length, restrictions and requirements for freeholder consent, whereas a freehold sale gives the purchaser total control. Stronger demand leads to a higher level of competitive bidding and improved bid levels.

Recommended option would be a freehold disposal with an overage agreement.

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

The site can be sold as a whole, or sub divided into plots e.g. the Civic Centre Annexe could be sold separate to the remainder of the site. The car park(s) could be retained as income generating assets.

This will be considered as part of the soft market testing and valuation to ensure overall maximum benefit to the council.

- **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 risks. A sale subject to planning is likely to generate a higher receipt value but the risk of the planning process sits with the council. Our experience with some long-standing sales, such as the Southbourne Crossroad's site indicates the complexities of a sale subject to planning.

This route would also delay the capital receipt as, unless and until an acceptable planning permission is obtained, the buyer does not pay the balance of the purchase price.

Recommended option sold as seen.

12. The due diligence associated with the valuation process will determine the detail of the overage clauses relating to future developments on the site to be included in the sales contract.

Assets and Accommodation workstream update – Coroners Service

13. As part of the original plans for establishing a single civic administrative headquarters for BCP Council in the former Bournemouth Town Hall, it was acknowledged that it would be preferable to resolve long standing concerns over the use of the building by the coroner's service. The service is jointly provided by Dorset Council and BCP Council, with BCP Council hosting the service and providing its accommodation. The costs of operating the service are divided between Dorset Council and BCP Council in accordance with a population-based formula.
14. The use of BCP Civic Centre for accommodating the Coroner's service has presented several challenges, principally related to providing appropriately sized courts and ancillary rooms for larger inquests. In addition, existing accommodation in the west wing of BCP Civic Centre creates tensions between the formal and sombre nature of inquest proceedings taking place alongside other commercial uses of the building e.g., wedding ceremonies. These very different purposes would ideally be provided for in separate locations.
15. Initially, in 2021 it was planned to relocate the Coroner's service to a retained slice of the Poole Civic Centre, to be jointly occupied with the Poole Charter Trustees, making use of the civic spaces previously used for council civic use. The March 2023 report highlighted that neither the BCP Civic Centre nor the BCP Civic Centre Annexe, which had been used as a temporary home for larger jury inquests, was considered ideal. Therefore, the report highlighted it would be necessary to consider an alternative plan for accommodating the Coroner's service in the future whether that was retaining the service in the BCP Civic campus or at a location elsewhere. Via the March 2023 report Council requested the Transformation programme, as part of its Assets and Accommodation Workstream to find an appropriate solution.

16. As a result of the Council recommendation the focus has moved to opportunities that may exist to accommodate the coroners service within the council's wider estate, and consideration is currently being given to a vacant retail unit at Parkway House in Bournemouth Town Centre. This would provide the coroner's service with an independent and accessible new home, fit for purpose for the future of the service. The costs of delivering this option are currently being considered. If it is not possible to progress this option, it is anticipated that alternative options will need to be identified including retaining the coroner service within the BCP Civic Centre with appropriate modifications to accommodation as appropriate.

Poole Charter Trustees

17. Before considering progressing with this report engagement has taken place with Poole Charter Trustees to determine if there were any acceptable alternatives to using the vertical slice of Poole Civic Centre. This is on the basis the asset would be more attractive to potential purchasers without the inclusion of terms and conditions around the use of this space.
18. Via conversations with the Poole Charter Trustees Civic Working Group (PCTCWG) a tour was arranged for Poole Charter Trustees in July 2024 to consider the feasibility of using either the Guildhall which is in BCP Council ownership or the Old Boat House on Poole Quay which is privately owned. At a meeting of the PCPCWG on the 13 August the charter trustees expressed a preference for the use of the Guildhall and based on assurance around the use of this location agreed that the recommendation of this report to sell Poole Civic Centre should proceed through the Democratic process.
19. It should be highlighted that the use of the Guildhall by Poole Charter report will have a knock-on impact on the buildings use by the Registrars service, but these will be addressed using alternative locations such as Poole Library and greater harmonisation of the service across the BCP area.
20. The work on the Guildhall to ensure it is fit for purpose to use as a base of the Poole Charter Trustees will be funded from the capital receipt generated from selling Poole Civic Centre.

Options Appraisal

21. Cabinet on the 8 March 2023, and Council on 21 March 2023, considered an Outline Business Case (OBC) from BCP FuturePlaces Ltd. The recommended option within the OBC was to convert the Civic Building into a boutique hotel and produce a reference masterplan for the remaining site area to be disposed for residential development. The masterplan would identify how the sites may be separated for independent disposal.
22. The recommended delivery option was to build out the hotel, working with a procured operating partner. Planning consent for residential development for the remainder of the site would be obtained and then sold to the developer market. This option needed funding of about £46m funded using Public Works Loan Board borrowing, provide a capital receipt of £18,964,628 and incur a net cost to the Council's revenue account of £21,304 relating to the servicing of borrowing during the construction phase of the hotel and prior to its sale. Council agreed to pay £250k for the work undertaken to produce the OBC but decided to defer the decision to move to the project to Full Business Case stage which was forecast to cost £1.061m.

23. Previously the outline business case work considered the following options.
- (a) Do nothing (Option 1)
 - (b) Do the minimum (Option 2) - retain the car park fronting Commercial Road, possibly for the hotel, and the multi storey car park for future development of the remainder of the site
 - (c) Do something (Option 3) – convert Civic Centre to Coroners Court with remainder as flats.
 - (d) Do something Option (4) Convert Civic Centre to hotel.
 - (e) Do Something (Option 4a) convert Civic Centre to hotel, with remaining campus sites packaged and disposed prior to planning consent.
 - (f) Do Something (Option 4b) convert Civic Centre to hotel, remainder of campus reference master planned development (subject to a masterplan/design code and development brief).
 - (g) Do Something (Option 5) market the whole site for sale.
 - (h) Do Something (Option 6) market the hotel site for sale to an operator, parcel the remaining land into smaller plots for sale.
 - (i) Do Something (Option 7) – convert Civic Centre building to residential.
24. The BCP FuturePlaces Ltd Outline Business Case was also considered by the Place Overview and Scrutiny Committee on the 2 February 2023.

Summary of financial implications

25. The current estimated 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

26. 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.
27. 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).
28. 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.
29. The offer of a sale of a leasehold interest will place obligations on the purchaser to undertake the development of the site.
30. 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.)

31. 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 two surface 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.
32. CBRE have been appointed to act to dispose of this asset. 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.
33. 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.
34. 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.
35. For these reasons it should be noted that it is not guaranteed that the capital receipt will be achieved in the 2024/2025 financial year.

Summary of human resources implications

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

Summary of sustainability impact

37. 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 council's carbon emissions.

Summary of public health implications

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

Summary of equality implications

39. On the basis that a decision to close Poole 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

40. The key risk associated with the recommendation of this report is that prevailing economic conditions dampen demand for such sites and a disposal is not achieved.
41. The site itself has several specific risks, as set out in the BCP FuturePlaces Ltd outline business case. These include planning – change of use, conversion of listed building; title restrictions restricting the use of the site; tree retention; the cost of securing the fabric of the listed building - a building condition survey will be commissioned as part of the disposal process to inform costs.

Background papers

42. Council 21 March 2023
BCP FuturePlaces Ltd – Outline Business Cases for Poole Civic Centre Buildings

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=284&MId=5033&Ver=4>

Appendices

- Appendix A **Confidential Appendix** – Poole Civic Centre Asset Details
- Appendix B Site Plan
- Appendix C **Confidential** Appendix – Draft minutes Cross Party Strategic Asset Disposal Working Group held on the 20 September 2024