

Decision Maker: Executive

For Pre-Decision Scrutiny by the Renewal and Recreation PDS Committee on:

Date: 29th January 2015

Decision Type: Non-Urgent Executive Non-Key

Title: THE FUTURE OF ANERLEY TOWN HALL

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Chief Officer: Director of Regeneration & Transformation

Ward: Crystal Palace;

1. Reason for report

- 1.1 This report reviews the current position at Anerley Town Hall and identifies options for its future.
 - 1.2 This report is available to the public. Confidential and commercially sensitive information, including the Financial Considerations, is contained within a separate Part 2 version of this report.
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2. **RECOMMENDATIONS**

PDS Members are asked to scrutinise the Report and make any comments available to Members of the Executive.

For the Executive:

- 2.1 **Having considered the options, if it is Members' preferred option to dispose of the property, it is recommended that Anerley Town Hall is marketed on a flexible basis to enable a full financial appraisal of options C and D to be considered alongside options A and B, which will be the subject of a future report.**
- 2.2 **Members are asked to note that a decision about the installation of a new telephone system at Anerley Town Hall is to be considered in the Part 2 report.**

Corporate Policy

1. Policy Status: Existing Policy Maximising the Council's assets:
 2. BBB Priority: Excellent Council:
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Financial

1. Cost of proposal: Estimated Cost As set out in the table in 6.3 of the Part 2 report
 2. Ongoing costs: As set out in the table in 6.3 of the Part 2 report
 3. Budget head/performance centre: Anerley Business Centre
 4. Total current budget for this head: £52k
 5. Source of funding: Existing revenue budgets
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Staff

1. Number of staff (current and additional): N / A
 2. If from existing staff resources, number of staff hours: N / A
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Legal

1. Legal Requirement: Statutory Requirement S 123 of the 1972 Local Government Act :
 2. Call-in: Applicable:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): see 3.3 and 3.5 of the report
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Members views are being sought.

Summary of Ward Councillors comments: These will be reported at the meeting

3. COMMENTARY

- 3.1 Anerley Town Hall (refer to attached plan) is a freestanding 2 storey building owned by the Council. It has a floor area of 12,745 sq. ft (1,184 sq. m), which occupies a site with a total area of 1.04 acres (0.421 ha). It dates from 1878 and was extended in 1911. It is Locally Listed and is one of the few landmark buildings in this part of the Borough. It is located on Anerley Road close to Anerley Station.
- 3.2 The building currently has several functions. The Anerley Business Centre occupies approximately half of the building on the ground and first floors, whilst the Civic Halls and the former Anerley Library occupy the remainder of the ground floor. A former caretaker's flat, which is currently vacant but previously used as offices, is on the remainder of the first floor. The building is surrounded by car parking and in particular there is a parking area known as the "overflow car park" which has an area of 0.21 acres (0.083 ha),and which has a frontage to William Booth Road.
- 3.3 The Business Centre was established in 2004 following the relocation of the Council's social services offices to Yeoman House. The space, which is largely cellular, was refurbished mainly using Single Regeneration Budget (SRB) (£245k) to provide 28 serviced office rooms of varying size. Offices are let on "easy in / easy out" terms primarily to small or fledgling businesses. Leases are granted for 12 months, but with a landlord and tenant break option after 6 months, and are contracted outside the security of tenure provisions of the Landlord and Tenant Act 1954, so can only be renewed with the consent of the Council. The rents are inclusive of utilities, repairs, business rates, cleaning and internet and are competitive with other local business centres. Whilst occupancy levels have been as high as 90%, these are currently at 60.9%. Many of the tenants have relied upon public sector contracts and have left the Centre following reductions in funding. As the costs of operating the centre are largely fixed (other than maintenance), profitability directly depends on occupancy levels.
- 3.4 Whilst in previous years a small surplus has been achieved, in the year ended 2013/14, the Centre made a net loss. Current projections show an estimated loss for 2014/15.
- 3.5 On site management of the Business Centre is provided by the Crystal Palace Community Development Trust (the Trust) for an annual fee. The Trust also leases the Civic Halls facility at a peppercorn rent and receives the income from the lettings, but bears its share of the costs except for the external repairs. This enterprise was making a loss before 2004 when the Trust took it over. The service provided is very popular and the Trust estimates that there are in excess of 40,000 visits per year. A paper provided by the Trust is attached.
- 3.6 Anerley Library is now vacant following the recent opening of the new Penge Library in Green Lane, Penge. The Executive in July 2014 agreed that an automated book lending facility supported by eight Peoples Network terminals would be set up in the Town Hall and managed by the Trust as part of a 'Community Library' offer. The automated book locker has now been delivered and is awaiting connection to the Council's Library Management System by Capita, which is expected to be completed shortly. The Executive further agreed that an annual management fee be paid to the Trust to manage the Community Library. The Trust has also expressed an interest in utilising the vacated library space to the rear of the Town Hall, effectively taking responsibility for the whole building.
- 3.7 The automated book locker and Peoples Network terminals are all portable and can be moved to an alternative location should the need arise. The cost of this will depend upon the location chosen and availability of suitable data handling cables.

Condition of Anerley Town Hall

- 3.8 The IT and telephone systems in the Business Centre lack the functionality of present day systems making it difficult to retain and attract new tenants and are now in need of replacement / upgrade.
- 3.9 The telephone system operates as an extension of the Council's main telephone system with a local branch line handling incoming and outgoing telephone calls. Unfortunately this system is now at the end of its life and will no longer be supported after 31 March 2015. The main Civic Centre telephone system is being replaced with Lync, but this system does not allow for a multi-tenanted solution which is needed for the Anerley Business Centre. Therefore, a new stand-alone system needs to be installed to provide the level of functionality required to support the tenants and the Trust. If the telephone system is not replaced, it will mean that with effect from 1 April, there is a risk that the telephone system at Anerley could fail and repairs will not be possible. This could leave the Trust and the business tenants vulnerable to business failure and the Council would be at risk of claims for failure to provide a telephone service. Irrespective of what Members decide about the future of Anerley Town Hall, and because the Business Centre cannot be closed immediately, a new telephone system is required urgently. Following a competitive tendering exercise, the costs of providing a stand-alone system have been established, These costs can be funded from the existing revenue budget for Anerley Town Hall. If necessary, it will be possible to remove and reuse the new system at another site or it could be sold. Whilst the timing of this issue is regrettable, Members are recommended to approve this expenditure.
- 3.10 The Council's telephone and IT communications link between the Civic Centre and its offices at Yeoman House currently operates using CCTV fibre which runs via the communications room at Anerley Town Hall. Whilst the Town Hall remains in the freehold ownership of the Council (even if this became subject to a lease) and in a similar use, this arrangement could continue by reserving access to this room. However, if the building was sold these communication links would have to be replaced and the best way of doing this would be to buy into a commercial operator's infrastructure. This will result in a capital cost and, as there are currently negligible annual running costs in providing the current link, there will also be additional revenue costs if it is changed. It should be noted, however, that the Council's lease at Yeoman House is due to expire in August 2018 and that it has not yet reviewed whether or not it wishes to renew the lease.
- 3.11 A recent Physical Condition Survey undertaken by the Council's consultant, the Oakleaf Group, has revealed that there is significant backlog maintenance to the building. In addition to this the front wall of the building is subsiding. The Condition Survey also identified a significant repairs liability over the next 10 years.
- 3.12 Thus, whilst the Civic Halls facility provided by the Trust is thriving and proving to be a valuable asset to the local community, a large part of the building (the former library) is currently vacant, the Business Centre is losing money and the building is in need of £1.273m of repairs, both immediate and over the next 10 years, as explained above. Given that the building has a significant degree of functional obsolescence and that it is not considered economic to undertake the repair works, there is clearly a need to review the future of Anerley Town Hall.

Planning Guidance

- 3.13 Anerley Town Hall is on the local list. It is a two storey town hall built in 1878 in the gothic revival/municipal gothic style. The Anerley Town Hall building is a landmark on Anerley Road which is not characterised by other buildings of this quality.

- 3.14 A locally listed building is a type of 'non designated heritage asset'. Paragraph 135 of the National Planning Policy Framework (NPPF) states that "The effect of an application on the significance of a non-designated heritage asset should be taken into account in determining the application. In weighing applications that affect directly or indirectly non designated heritage assets, a balanced judgement will be required having regard to the scale of any harm or loss and the significance of the heritage asset."
- 3.15 Under UDP policy BE10 (Locally Listed Buildings) permission for the replacement of the building will only be granted where applicants have demonstrated that all reasonable options for the retention of the building have been considered and that the proposed new building is of an exceptionally high standard of design.
- 3.16 Any development of the site needs to make provision for existing community facilities or for their relocation. This is so as to comply with Policy C1 of the UDP
- 3.17 The site contains a Business Use and the UDP Policy EMP5 allows for redevelopment provided that the characteristics of the site make it unviable for Business Use (B1, B2, B8 use class) and full marketing confirms the unsuitability and financial non-viability of the site for Business Uses.
- 3.18 The site is in an urban setting and residential development, including conversion, is in principle acceptable subject to the above policies. If residential units were to be provided on this site, this would trigger an affordable housing contribution of up to 35% (UDP Policy H2).

4. OPTIONS

A. Retain As Existing

- 4.1 As detailed in 3.11, to retain the existing property would result in the Council having to fund the significant maintenance and repair costs. There will be a high level of disruption during the underpinning works and this will result in a loss of rental income. In addition to this, investment is also required for the replacement / upgrading of the I T system. This should help secure new tenants going forward which would in turn improve the financial position of the Business Centre. This option could therefore be of significant cost to the Council and does not address the issue of a future use for the former library.
- 4.2 This option would not prevent the Council from disposing of the overflow car park and achieving a capital receipt.

B. Lease to the Trust

- 4.3 In its paper, the Trust makes reference to this solution which has previously been discussed with officers. This involves granting a 40 lease of the whole building to the Trust on full repairing terms at a peppercorn rent, but excluding the overflow car park which could be sold. Having a lease of this sort of length would enable the Trust to lever in external funding which could be used to maintain the building and address the backlog repairs. Under this scenario, the Trust would continue to operate the Civic Halls and the Business Centre at Anerley Town Hall and expand its operation to include the former Library accommodation. The Trust has however strongly indicated that it would require the Council to resolve the subsidence issue and upgrade the Business Centre IT. There would also be a loss of rent whilst the works were undertaken prior to the grant of the lease.

4.4 This solution would maintain the existing building and current facilities, and transfer all of the revenue income and expenditure to the Trust and would save the Council paying the management fee to the Trust. If the Trust proved unable to continue to operate its business in the future, the property would revert back to the Council, and under this scenario the Council would then still have the benefit of the asset.

C. Sale Subject to Existing Uses

4.5 The property could be offered for sale as a going concern in its existing condition, with the Trust and the current business tenants in place. The sale of the existing building requires the Council to resolve the issue of the IT link with Yeoman House. This would require a capital investment and on-going revenue costs over at least the next three years, but potentially longer if the Yeoman House lease is renewed. An alternative solution would be to reserve the right to take a lease-back of the communications room at a peppercorn rent, but this is likely to have a detrimental impact upon the potential capital receipt. Under this option there is the possibility that the new owner could subsequently close the Business Centre and / or the Civic Halls.

4.6 The sale could be subject to a claw back to ensure that the Council received a share of the increase in value (if any) if the property was subsequently converted or redeveloped. Whilst there may be interest in the business centre and the vacant library space, this interest would be dampened by the on-going repairing liabilities and the planning requirement to provide a community facility. It is very difficult to provide an accurate estimate of the potential capital receipt using conventional valuation methods. Should Members wish to pursue this option, it would be necessary to test the market.

D. Disposal of The Town Hall / Construction of a New Community Facility

4.7 This option would involve closure of the building and disposal of it and the surrounding land (excluding the overflow car park) on the open market. Given the locally listed status, the demolition of the building would be resisted and marketing should include planning guidance on the issues outlined under planning considerations above. The existing building layout does not readily lend itself to adaptation and conversion and the repairs would need to be addressed by the purchaser, but these could perhaps be undertaken more economically if the building was vacant and as part of an overall refurbishment project. Subject to planning, the existing building might be suitable for a variety of uses including residential conversion, hotel or possibly some other commercial use. Again, it is difficult to value the building with vacant possession using conventional valuation techniques because of the uncertainty over future use. Only when the market is tested would the potential receipt be known.

4.8 If a robust case were to be made for the demolition of the building (or even parts of the building) by proposing replacement buildings of an exceptionally high standard of design, the property would be significantly more attractive to developers because they would not be restricted by the existing layout nor faced with the repairs liability. However, it should be noted that the planning requirement to provide buildings of an exceptionally high standard of design will increase the cost of development and is unlikely, in this location, to result in a corresponding increase in value of the scheme. However, it is anticipated that were demolition permitted a higher capital receipt could be achieved.

4.9 This proposal would also have to demonstrate that the business use is no longer viable (policy UDP Policy EMP5). The Business Centre tenants would have to be served with notices of up to 6 months in length for the most recent tenants to bring the leases to an end. However, it is suggested that all of the tenants could be served notice to take effect on the same date, but with an option for the tenant to leave earlier. This would give the tenants more time to relocate

and would maintain income to cover the fixed costs for as long as possible. It is thought that there is sufficient suitable accommodation available at other local business centres. This option would also require the re-provision of the communications link to Yeoman House, however, the new telephone system could be relocated to the new community facility in due course. The contract with the Trust and other contracts (e.g. cleaning) will need to be terminated. The relocation of the automated book locker and Peoples Network terminals would incur additional cost.

- 4.10 To satisfy the requirements of Policy C1, the community facility would need to be re-provided, and, in the absence of a suitable off site location, this would have to be provided on site. To avoid conflict between the community users and future users of the existing building, it would be better to provide this in a separate building and on its own discreet site. This would simplify future management of the site and avoid service charges in respect of shared facilities. Also, if the retained part is held as a separate legal entity, the potential for a future freehold disposal will be retained, should the replacement building subsequently become surplus. The library facility, which is also a community use, has already been re-provided at the new library in Penge.
- 4.11 The existing community facility has a gross internal floor area of approximately 375 sq m and, subject to planning (particularly on-site parking requirements), it should be possible to construct a new community building on the overflow car park. The Council could market the property on the basis that the purchaser constructs the new building as part of the sale package, but in order to exercise greater control over the specification and construction, it would be better for the Council to arrange the construction separately. The alternative would be to contract with the purchaser to build the new facility as part of a package, but this is not recommended because of the loss of control. Subject to planning a more intensive development on this site could also be investigated, perhaps with residential upper floors over the ground floor community facility. Whilst this would involve greater cost, it would also generate some additional value.
- 4.12 This option has not yet been discussed with the Trust and it assumes that it is prepared to move to and operate new facilities. Terms will need to be agreed with the Trust for a lease of the new community facility.
- 4.13 An Equality Impact Assessment has been prepared by the Council and will be published on the Council's website in accordance with the procedure. This document is attached as an appendix to this report.
- 4.14 Users of the Civic Halls facility and the tenants of the Business Centre have been consulted about the options. The deadline for receipt of responses is 22nd January. All responses received will be forwarded to Members as soon as possible.
- 4.15 If Members wish to consider the disposal of the property (options C and D), it is suggested that the property could be marketed on a flexible basis to enable options C and D to be considered alongside options A and B. The outcome of marketing could then be reported back to Members with a full and accurate financial appraisal of the options.

5. POLICY IMPLICATIONS

- 5.1 The Council's aims include being an authority that manages its assets well.

6. FINANCIAL IMPLICATIONS

- 6.1 The Council owes an overall fiduciary duty to its council tax payers as a whole and as such needs to ensure it delivers value for money when considering any options around disposal of assets. Detailed figures are given in the Part 2 report elsewhere on the agenda.

7. LEGAL IMPLICATIONS

- 7.1 Section 123 of the Local Government Act 1972 requires a local authority to secure the best consideration reasonably obtainable when it disposes of land (other than on a lease for 7 years or less) unless it has the benefit of an express or general consent from the Secretary of State. Marketing property is the usual method of ensuring compliance with this requirement.
- 7.2 However, the General Disposal Consent (England) 2003 does permit a local authority to dispose of land at an undervalue if the amount of undervalue is less than £2m and the authority considers that the purpose for which the land will be used will contribute to the promotion or improvement of economic, social or environmental well-being in the whole or any part of its area, or of all or any persons in the whole or any part of its area. If Members are satisfied that this purpose is met, they could therefore agree to the proposal for the letting of the building to the Trust, or to the re-provision of the community facility and the letting of that to the Trust provided that the amount of any undervalue in capital receipt (or the capital receipt foregone) will be less than £2m.
- 7.3 One further legal consideration is that part of the Town Hall has been listed as an Asset of Community Value under the provisions of the Localism Act 2011. Sale of a listed asset would normally be subject to the statutory moratorium provisions in the 2011 Act, meaning that community organisations would have time to decide if they wished to bid and then further time to put together a bid (albeit with no guarantee that the seller would accept that bid). However, if a property is partly listed then, provided specified conditions are met, the property can be sold without engaging the moratorium provisions, notwithstanding the listing. In this case, Anerley Town Hall does fit within one of the exemptions (paragraph 11 of schedule 3 to The Assets of Community Value (England) Regulations 2012) so the Council is free to market the property without having to comply with the moratorium notice and delayed sale requirement.

Non-Applicable Sections:	Personnel Implications
Background Documents: (Access via Contact Officer)	Physical Condition Survey, Oakleaf Group Equality Impact Assessment