

PART ONE - PUBLIC

Decision Maker: **EXECUTIVE**

Date: **Wednesday 20th October 2021**

Decision Type: Non-Urgent Executive Key

Title: **DIRECT LINE OFFICES, CHURCHILL COURT,
WESTMORELAND ROAD, BROMLEY, BR1 1DP – FREEHOLD
DISPOSAL TO LONG LEASEHOLDER**

Contact Officer: Amy Milton, Head of Estates & Asset Management
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Chief Officer: Director of Housing, Planning, Property and Regeneration

Ward: Bromley Town

1. Reason for report

- 1.1 The Long Leasehold owner (Direct Line Insurance Services Ltd) of Churchill Court, Westmoreland Road, Bromley, BR1 1DP have approached the Council as freeholder of the property in respect of acquiring the freehold interest.
- 1.2 Direct Line intend to base their Headquarters at the site, and to support this, wish to redevelop the existing buildings to provide brand new office accommodation for their business.
- 1.3 Acquiring the Freehold interest in the property will enable them the control and security of tenure required to invest in the redevelopment
- 1.4 This report details the proposed terms of the freehold purchase and seeks Member approval to proceed with the transaction.

2. **RECOMMENDATIONS**

- 2.1 Members are asked to agree to the disposal of the Council's freehold interest in Churchill Court, Westmoreland Road, Bromley, BR1 1DP to Direct Line Insurance Services Ltd who are the existing occupant and long leaseholder as per the terms set out in this report (both Parts 1 and 2).

- 2.2 Authorise the disposal of the Council's freehold interest at Churchill Court, Westmoreland Road Bromley to Direct Line Insurance Services Ltd.
- 2.3 To delegate authority to the Head of Estates & Asset Management in consultation with the Director for Housing, Planning and Regeneration and the lead member to finalise the commercial heads of terms ("HOTS") , and
- 2.4 To authorise the Assistant Director for Legal Services to enter into any ancillary legal agreements relating thereto (including settling the Council's associated professional fees, which are to be paid from the net proceeds of sale in the transaction.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: c. £60k (funded from the capital receipt generated)
 2. Ongoing costs: n/a
 3. Budget head/performance centre: n/a
 4. Total current budget for this head: n/a
 5. Source of funding: n/a
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Personnel

1. Number of staff (current and additional): Not applicable
 2. If from existing staff resources, number of staff hours: Not applicable
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Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: Applicable
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Procurement

1. Summary of Procurement Implications: Not applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not Applicable
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Overview

- 3.1 The Council own the freehold interest of a site known as Churchill Court, Westmoreland Road, Bromley, BR1 1DP.
- 3.2 Direct Line occupy the majority of the site as offices and own the long leasehold interest of the whole. Their existing leasehold interest, which is at a peppercorn rent, expires on 25th October 2131 (circa 110 unexpired).
- 3.3 Direct Line have approached the Council seeking to acquire its Freehold interest to facilitate the extensive investment that Direct Line wish to make into site to enable them to use the site as their Headquarters.
- 3.4 Direct Line intended redevelopment plans are split into phases. Direct Line have advised that they intend to occupy the majority of the first three phases themselves, with the possibility of some co-working flexi space also included within these phases. There is a possibility of a fourth phase being delivered but they are not certain as to how this space may be used and this is not an part of the immediate intended redevelopment plan.
- 3.5 The area that comprises what we are describing as phase four is currently let to Weatherspoon's are operated as a pub. Direct Line have therefore advised that any phase 4 redevelopment plans would be some way into the future.
- 3.6 Members should note that any such plans would require Planning Permission and it would be for Direct Line to progress such plans through the usual channels.
- 3.7 Details of the commercial terms of the proposed freehold disposal are commercially sensitive and therefore included within Part 2 of this report.

Alternative Options Considered

- 3.8 Given the long leasehold interest that is already in place, there are limited alternative options for the Council to consider, but these are detailed below for completeness:
 - **Do nothing** – the Council does not have to sell its Freehold interest. However, the Council does not benefit from any revenue stream from the site currently, and in taking the 'do nothing' approach, the Council will forgo the capital receipt that will otherwise be paid by the long leaseholder (as set out in Part 2 of this report) and potentially stymie development plans that Direct Line are seeking to deliver to support using this Central Bromley location as the future location for their Headquarters.
 - **Further negotiation** – the Council has taken professional advice on the negotiated terms of the freehold disposal to ensure the proposal represents Best Value and meets the Council's obligations under Section 123 of the Local Govt Act 1972. Further detail on this is provided within Part 2 of this paper.
- 3.9 Officers have considered the alternative options and concluded that the proposed terms of the freehold disposal represent the optimum strategy for the Council to pursue.

IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 There is not considered to be an impact on Vulnerable Adults and Children as a consequence of this decision.

4 POLICY IMPLICATIONS

5.1 N/A

6 FINANCIAL IMPLICATIONS

6.1 The proposed disposal of the Council's freehold interest would result in a capital receipt payable to the Council. Further details are set out in Part 2.

LEGAL IMPLICATIONS

7.1 The Council has power under s.123 of the Local Government Act 1972 ("The Act") to dispose of land for the best consideration that can reasonably be obtained (usually based on open market value).

7.2 S.123 of the Local Government Act 1982 confers power to the Secretary of State to give general consent for the purposes of land disposals by local authority in Part 7 of the 1972 Act.

7.3 The Local Government Act 1972: General Disposal Consent 2003 removes the requirement to seek specific consent from the Secretary of State for any disposal of land where the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the well-being criteria in the Local Government Act 2000:

- i) the promotion of improvement of economic well-being;
- ii) the promotion of improvement of social well-being;
- iii) the promotion of improvement of environmental well-being;
- and the "under-value" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2,000,000 or less.

7.4 Applications for specific consent, if appropriate, should be sent to the DCLG and include the following information:

- Written description of the land and buildings, the location
- Written description of how the land is currently held by the Council
- Details of any leases, encumbrances such as easements
- Summary of the proposed disposal/transaction
- Detailed valuation report signed by a qualified member of RICS. Ideally valuation should be done no earlier than 6 months before application for consent.

7.5 This only applies to land held as general fund land. It does not apply to land sold under 2.233 T CPA 1990.

7.6 This report in the property surveyors' comments confirms that the best consideration test pursuant to the Act has been met.

Non-Applicable Sections:	HR and Procurement
Background Documents: (Access via Contact Officer)	