

Report No.

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: PORTFOLIO HOLDER FOR RESOURCES

Date: 23rd November 2022

Decision Type: Non-Urgent Non-Executive Non-Key

Title: CHISLEHURST LIBRARY REDEVELOPMENT UPDATE & NEXT STEPS

Contact Officer: Amy Milton – Head of Estates & Asset Management
Amy.milton@bromley.gov.uk

Chief Officer: Sara Bowrey – Director for Housing, Planning & Regeneration
Sara.bowrey@bromley.gov.uk

Ward: Chislehurst

1. Reason for report

- 1.1 Following a marketing exercise, a decision was taken in 2020 to enter into a Development Agreement with Prime Developments for the delivery of a new scheme on the existing site of Chislehurst Library, which would provide a new library facility for the Council as part of a wider mixed use development.
- 1.2 Regrettably, the original terms of the offer that the decision to enter into a Development Agreement with Prime Developments was predicated on, are no longer viable and the transaction unable to progress.
- 1.3 This report is therefore to update Members on the latest position, and to recommend that the existing library is retained as an ongoing operational facility for provision of library services, with no further market testing to be pursued.

2. **RECOMMENDATION(S)**

For the ERC PDS Committee to note, and for the Portfolio Holder for Resources, Commissioning and Contracts Management to approve:

- That the terms of the proposal by the preferred purchaser, Prime Developments, are no longer viable and that the previously agreed transaction will not be progressing.
- That the property is retained as an operational asset for the purpose of continuing to deliver library provision for the local area.

- **That the property is not remarketed, nor any negotiations with potentially interested developers undertaken.**

Impact on Vulnerable Adults and Children

1. Summary of Impact:
-

Corporate Policy

1. Policy Status: Not Applicable
 2. BBB Priority: Not Applicable:
-

Financial

1. Cost of proposal: No Cost
 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
-

Personnel

1. Number of staff (current and additional):
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: None:
 2. Call-in: Not Applicable
-

Procurement

1. Summary of Procurement Implications: Not applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: Awaiting feedback

3. COMMENTARY

- 3.1 The Council own the freehold interest in Chislehurst Library which is situated on Red Hill in Chislehurst. The property is occupied on a lease by Greenwich Leisure whom operate the library service on behalf of the Council.
- 3.2 Over the past decade, the Council have received numerous unsolicited approaches from the private development market seeking to acquire the site for redevelopment and provision of a new library building which would be handed back to the Council.
- 3.3 A number of these such approaches have been explored over the years but regrettably, on further due diligence by the interested parties, none of these approaches materialised into an agreed form of Development Agreement or deliverable scheme.
- 3.4 To test the opportunity for a final time, the Council instructed marketing agents to formally take the opportunity to market and invite bids from interested parties in early 2020. Following a comprehensive marketing exercise, Prime Developments was selected as the Council's preferred bidder, following a decision by the Leader utilising his Executive Powers in September 2020. Heads of Terms were entered into reflecting the terms of Prime's successful bid in early 2021.
- 3.5 Prime's proposal for the site was to seek planning consent to demolish the existing library and develop a new mixed use scheme which would comprise a new library facility to be handed back to the Council at nil cost, and a new healthcare facility which would accommodate two local GP practises. A rental sum would be payable by the GP practises for an occupational lease of the healthcare facility which would be funded by the NHS (which was then known as the CCG, but is now known as the ICB). A temporary library would be provided by the developer during the construction period so that continuity of service provision would be accommodated.
- 3.6 A land payment would also be made to the Council, and this would be used to cover the costs of the fit out of the new library.
- 3.7 Regrettably since Heads of Terms were agreed, Prime and the Council have not been able to enter into the Development Agreement required to execute the land transaction to support the delivery of the proposed scheme on the terms agreed.
- 3.8 There are a number of reasons for this, with one of the key issues being that the market has moved against the assumptions made in Prime's initial bid, meaning the scheme is no longer viable on the terms Prime originally offered on. To compound the issue of rising construction costs, inflation, and interest rates, market rents for healthcare facilities have failed to keep up with rising costs, and therefore the District Valuer who acts on behalf of the NHS, is unable to support the level of rent required to be paid for occupation of the healthcare facility by the GP practises to make the scheme viable, despite the best efforts of the NHS/ICB to find a viable solution.
- 3.9 This report is therefore for Members to note that the transaction is regrettably no longer proceedable.
- 3.10 In terms of next steps, Chislehurst Library is a well used operational facility, that continues to be run by Greenwich Leisure on behalf of the Council.
- 3.11 Given the numerous speculative and formal approaches by the development market in recent years, all of which have failed to be deliverable, and the less favourable market conditions that exist now than when previously market tested, it is recommended that no further marketing campaigns or negotiations with past or any bidders are undertaken.

3.12 We anticipate that despite this there may still be an active interest in the site from speculative developers, for example we are aware of one such developer who has previously shown interest, having options on adjoining properties and to avoid committing further Council resources to exploring such approaches and prolonging the period of uncertainty for the future of this well used operational asset, it is recommended that any such approaches are not pursued.

3.13 Instead, it is recommended that the Council continues to hold Chislehurst Library as an operational asset for the purpose of delivering library services to the local community as is. Ongoing upkeep for the existing premises will be covered by the existing budget for the Council's operational estate and as a retained library will be factored into the outputs of the Operational Property Review.

4. FINANCIAL IMPLICATIONS

4.1 This report recommends that Chislehurst library is retained as an ongoing operational facility for provision of library services, with no further market testing to be pursued. This recommendation does not have any impact upon existing approved budgets or finance forecasts.

5. LEGAL IMPLICATIONS

5.1 Given the recommendation is to retain the existing library as is, there are no legal implications. Legal comments relating to the previously recommended disposal were included at that time.

Non-Applicable Sections:	Impact on Vulnerable Adults & Children, Policy Implications Personnel Implications, Procurement Implications
Background Documents: (Access via Contact Officer)	N/A