

PART 1 - PUBLIC

Decision Maker:	EXECUTIVE
	Thursday 18 July 2024
Date:	For pre-decision scrutiny by the Executive, Resources and Contracts PDS Committee on 16th July 2024
Decision Type:	Non-Urgent Executive Key
Title:	BROMLEY CIVIC CENTRE - FREEHOLD DISPOSAL
Contact Officer:	John Kulasek, Interim Head of Estates & Asset Management Email: john.kulasek@bromley.gov.uk Darren Essex, Interim Assistant Director Property Email: darren.essex@bromley.gov.uk
Chief Officer:	Sara Bowrey Director of Housing, Planning, Property and Regeneration
Ward:	Bromley Town

1. REASON FOR THE REPORT

- 1.1 The report seeks authorisation to select a preferred purchaser following marketing of the Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH.
- 1.2 The site is held freehold by the Council. Marketing of the freehold interest of the Civic Centre site was authorised by the Executive Committee on 30 November 2022 with the outcome of marketing exercise to be reported to the Executive at its conclusion.

2. RECOMMENDATION(S)

For Members of the Executive Committee to note and approve the following recommendations:

- 2.1 Authorise acceptance of Offer B received for the Council's freehold interest and to proceed to completion with the transaction.
- 2.2 Authorise acceptance of Offer B with such other terms as set out in Part 2 of this report.
- 2.3 To delegate authority to Director of Housing, Planning and Regeneration to finalise terms of sale to proceed with the transaction and conclude the disposal.
- 2.4 To delegate authority to the Director of Housing, Planning and Regeneration to accept Offer C, formalise the terms and complete the transaction, should Offer B fail to complete.
- 2.5 The legal and professional costs associated with completing the transaction are to be funded from the capital receipt received.
- 2.6 Details of the commercial terms of the offer being recommended for freehold disposal are commercially sensitive and therefore included within Part 2 of this report.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
-

Corporate Policy

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

Financial

1. Cost of proposal:
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): Not applicable

2. If from existing staff resources, number of staff hours: Not applicable

Legal

1. Legal Requirement: Statutory Requirement

2. Call-in: Applicable

Procurement

1. Summary of Procurement Implications: Not applicable

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 The Council seeks to dispose of the freehold interest in the Civic Centre campus site. The site extends to circa 6.74 acres (2.73 hectares) comprising the Bromley Civic Centre (including London Borough of Bromley's civic offices), Bromley Palace and associated car parking. The Bromley Civic Centre is made up of predominantly six main buildings (including Bromley Palace, the Stockwell Building, North Block, Rochester Block, Council Chamber and St Blaise) interconnected through various modern additions, collectively totalling an approximate 20,000 sqm / 215,000 sq. ft of existing gross internal area accommodation. The site excludes Bromley Palace Park, which is being retained under Council ownership. A copy of the marketing particulars can be found at the following [link](#).
- 3.2 Marketing agents, Montagu Evans, were instructed by the Council in May 2023, with the marketing campaign inviting offers for the freehold interest, on an unconditional basis, going live late-July 2023. Marketing details were widely circulated via the agent to a longlist of developers, investors, and potential owner-occupiers. Concurrently, an advert was published in the Estates Gazette along with a wider electronic mail out.
- 3.3 A subsequent call was made for 'Expressions of Interest' to be submitted by early November 2023 with subsequent rounds of bidding conducted in April May and June 2024.
- 3.4 Further details of the marketing campaign, offers, professional advice received, and commercial terms recommended for the freehold disposal are commercially sensitive and therefore included within Part 2 of this report.
- 3.5 Part 2 of this report provides Members with full details of the marketing campaign and the professional advice the Council has received that allows us to conclude that the recommended offer represents Best Consideration reasonably obtainable and thereby meets the Council's obligations under Section 123 of the Local Government Act 1972.
- 3.6. Montagu Evans surveyors were instructed as marketing agents in May 2023 to advise the Council on the freehold disposal strategy and undertake the marketing campaign. The site was marketed calling for offers on an unconditional basis to achieve the maximum capital receipt upon disposal, as soon as possible.
- 3.7. In line with the Council's decision to relocate to Churchill Court and to minimise dual overheads offers were invited for exchange within 28 days of receipt of sales contract from the Council's solicitor with exchange by 31st December 2024.
- 3.8 The site extends to circa 6.74 acres, includes the existing civic centre buildings including the Grade II listed palace which overlooks Bromley Palace Park, the park being retained by the Council. Both a planning statement as well as a heritage statement were commissioned by the Council and included within the suite of marketing documentation provided. A map showing the extent of the site brought to market outlined in red can be found at 'Appendix A' attached herein.
- 3.9 In addition, the best bidders were asked to consider including the North Lodge (After Care Leavers) within their bids.
- 3.10 Since the best bidders indicated that a delayed completion would enable a greater sales price to be achieved, an option for delayed completion to before 31st March 2025 was included to maximise receipts to the Council.
- 3.11 As part of the options appraisal for the disposal of the Civic Centre, the option of the Council redeveloping the site which concluded that given the estimated high cost of the development at delivering this scheme would require the Council to borrow significant sums creating unacceptable risk over a five-year delivery period. Therefore, taking this into consideration, alongside the

significant period to generate a surplus in TA savings, that this site is not used to self-deliver housing but is instead disposed of on the open market as originally intended.

- 3.12 The property was launched to market on 25th July 2023, and an advert was published in the Estates Gazette on 31st July 2023 along with a wider electronic mail out. A copy of the marketing particulars providing further detail of the site can be found at Appendix B attached. A high level of initial interest was reported by the marketing agents, with 978 parties registering to view the supporting data room, and 37 viewings of the campus undertaken. Expressions of Interest was made in October 2023 with a deadline for submissions before 9th November 2023. The Expression of Interest (EOI) bid-proforma provided to parties required salient terms to be addressed, including A. their Financial bid and any conditions attached (e.g. Planning Permission/ Survey/ Valuation/ Pre-application), B. Funding Arrangement, Completion Timetable, and C. Overage allowance (Sell-on/ anti-embarrassment/ Planning and Sales overage) as well detail of intention for the site/ future proposed schemes.
- 3.13 A total of twelve Expressions of Interest were received; of which nine were unconditional offers and three were on a subject to planning basis. Whilst two of the subject to planning offers received were non-compliant and were not pursued further.
- 3.14 Bids that were subject to planning were not considered as these lack certainty of delivery of the sum offered and there would be no clear timetable for receipt of the same.
- 3.15 Montague Evans carried out an analysis of the EOI's utilising weighted criteria adopted was included under three core headings: Finance 70% (funding/ price/ deposit level), Timing and Due Diligence 25% (exchange timescale, completion timescale, offer conditionality, overage & clawback provisions) and Additional Information 5% (track record/ scheme proposal).
- 3.16 Subsequently, interviews were carried out with the four parties between 26-27th March 2024.

Best and Final Offers (Round 1):

- 3.17 Following the interviews, via informal tender, the shortlist of four parties were invited to submit their best and final offer by the deadline date of 29th April 2024 with an option to include North Lodge After Care Leavers)
- 3.18 One of the parties did not provide a best and final proposal.
- 3.19 The best and final bid proforma circulated to parties required comment on whether they'd agree to a sell-on clawback (anti-embarrassment provision). A sell-on clawback of 50% of any uplift achieved within a 5-year period was indicated within the bid proforma itself. The document also required comment from parties regarding any Planning Clawback or Sales Overage they included as part of their offer proposal.
- 3.20 Best and final offers were invited from the parties on the following four bases:
- Proposal 1 – Site Including North Lodge (with the inclusion of sales/planning overage provisions)
 - Proposal 2 – Site Excluding North Lodge (with the inclusion of sales/planning overage provisions)
 - Proposal 3 – Site Including North Lodge (without the inclusion of sales/planning overage provisions)

- Proposal 4 – Site Excluding North Lodge (without the inclusion of sales/planning overage provisions)
- 3.21 The sell-on (anti embarrassment) clawback applied to all four scenarios and was agreed by all parties.
- 3.22 Given the close nature of the offers and the comparable conditionality , a 2nd Stage Best and Final Offers round was conducted in May.
- 3.23 Meetings were conducted with the bidders with key elements of the bids discussed and final confirmations requested. Both parties had previously raised concern that possible conveyancing delays would lead to a short/ no lead in period between exchange and completion and that they needed a reasonable period in which to inherit the site and put in place all the necessary security contracts and short-term asset management initiatives proposed. The bidders were therefore invited to make a bid on the basis of a 31 March 2025 completion.
- 3.24 The Council considered the additional cost of holding the site and on the basis that business rates it would be exempt from liability for the 3 months of a vacant site invited offers from both parties on this basis.

Offer recommendation

- 3.25 The property was listed on the market July 2023 receiving a high level of market exposure and robustly market tested. With BoE interest rates increasing 1.75% alone between 2023- 2024 in a challenging development market.
- 3.26 Following the Best and Final Offers (Round 1) there was a good grouping of offers which were improved by Round 2 and subsequently increased by discussions with the top 2 bidders.
- 3.27 In view of the above, marketing agent Montagu Evans have recommended acceptance of Offer B as the offer represented low conditionality, quick exchange, satisfactory anti-embarrassment clause, well evidenced funding, and the highest financial consideration. Having widely tested the market Montagu Evans believe the offer to represent best consideration reasonably obtainable.
- 3.28 Taking a comprehensive view of the bids received and terms proposed, as well as the professional advice received by the marketing agents, the conclusion is that this offer represents the best consideration reasonably obtainable and thereby if it were to be accepted meets the Council's obligations under Section 123 of the Local Government Act 1972.
- 3.29 Given the above and having due regard to the professional advice received from Montague Evans this report seeks authority from Executive to accept and to proceed with the transaction.
- 3.30 Montagu Evans have also noted that should the offer B for whatever reason falter, they would recommend acceptance of the offer from the underbidder.

4. 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.

5. POLICY IMPLICATIONS

5.1 N/A

6. FINANCIAL IMPLICATIONS

6.1 The proposed disposal of the Council's freehold interests would result in capital receipt as set out in the Part 2 report.

7. PERSONNEL IMPLICATIONS

7.1 N/A

8. LEGAL IMPLICATIONS

Property Disposals - Local Authority Powers

The Council has power to dispose of the Civic Centre pursuant to the below mentioned statutes:

8.1(a) s.111 Local Government Act 1972

The Council has power to do anything calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

8.1(b) The intended proposal to dispose in this report would be effected pursuant to that statutory power as well as pursuant to the Localism Act 2011, the General Power of Competence.

8.1(c) Section 123 of The Local Government Act 1972

8.1.1 If the intended proposal to dispose were to proceed, the Council pursuant to s.123 of the Local Government Act 1972 must dispose of the land for the best consideration that can reasonably be obtained (usually based on open market value).

8.1.2 s.123 of the Local Government Act 1972 confers power to the Secretary of State to give general consent for the purposes of land disposals by local authorities carried out under their powers in Part 7 of the 1972 Act.

8.1.3 The Local Government Act 1972, General Disposal Consent 2003 removes the requirement for local authorities 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:

- a) the promotion or improvement of economic well-being;
- b) the promotion or improvement of social well-being;
- c) the promotion or improvement of environmental well-being; and the "undervalue" (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.

8.1.4 If specific consent is required from the Secretary of State, applications for specific consent should be sent to the Secretary of State and include the following information:

- a) Written description of the land and buildings, the location.
- b) Written description of how the land is currently held by the Council;
- c) Details of any leases, encumbrances such as easements.
- d) Summary of the proposed disposal/transaction.

8.1.5 The Council's in-house and external surveyors have confirmed in paragraph 10 below that the proposed disposal will comply with the best value consideration required by s123 of the Local Government Act 1972.

9. PROCUREMENT IMPLICATIONS

9.1 The Public Contracts Regulations 2015 set out several exemptions to the relevant procurement regulations. In this case, Clause 10 (1) (a) applies in which the regulations do not apply to 'acquisition...of land, existing buildings...or which concern interests in or rights over any of them'.

9.2 Therefore, it is presumed that there are no procurement implications relevant to this report, subject to legal advice that the process for marketing and disposal follows the exemptions within the Regulations.

10. PROPERTY COMMENTS

10.1 Detailed in the Part 2 report.

11.0 REGENERATION COMMENTS

11.1 Regeneration have confirmed that they have looked at and rejected the option of redeveloping the site themselves on the following basis. To ensure best value for the Council, particularly in the context of high Temporary Accommodation costs, the site was reviewed for the self-delivery of affordable housing. The site has been assessed in the same way as many other smaller sites across the borough on which decisions have been taken for either disposal or the delivery of Council housing.

11.2 A high-level massing assessment was undertaken of the Civic Centre site in relation to assessing self-delivery of affordable housing. Additionally, the calculations assumed a GLA grant would be received for each affordable unit, which was considered a reasonable assumption given the Councils experience of affordable grant receipts for other Bromley schemes. To improve the viability of the site the financial model assumed that 50% of the housing would be private sales.

11.3 These figures were inserted into the finance team's feasibility modelling spreadsheet as detailed in the Part 2 report.

11.4 Given the estimated high cost of the development, as well as the cost of the Palace refurbishment delivering this scheme would require the Council to borrow significant sums creating an unacceptable risk over a five-year delivery period. Therefore, taking this into consideration, alongside the significant period to generate a surplus in TA savings, it is recommended that this site is not used to self-deliver housing but is instead disposed of on the open market as originally intended.

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

