

SURREY COUNTY COUNCIL**CABINET****DATE: 26 JANUARY 2021****REPORT OF: MR MEL FEW, CABINET MEMBER FOR RESOURCES****LEAD OFFICER: PATRICIA BARRY – DIRECTOR OF LAND AND PROPERTY****SUBJECT: DISPOSAL OF COUNTY HALL CAMPUS, PENRHYN ROAD,
ROYAL BOROUGH OF KINGSTON UPON THAMES**

ORGANISATION STRATEGY **EMPOWERING COMMUNITIES**
PRIORITY AREA:

SUMMARY OF ISSUE:

The Cabinet is asked to authorise the sale of the County Hall Campus site at Penrhyn Road, Royal Borough of Kingston upon Thames (RBKuT), following the decision to close County Hall for corporate operational use on the 31st December 2020.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Authorises the sale of land and buildings as outlined on the attached plan within Annex 1 (Marketing pack) on a unconditional basis - further details included within the Part 2 Paper.
2. Approve the separate marketing and subsequent disposal of the freehold and long underlease from the Royal Borough of Kingston upon Thames of the Bittoms car park on an existing use basis.
3. Delegated authority granted to the Cabinet Member for Resources, in consultation with the Executive Director of Resources and the Director of Land & Property to authorise a future disposal of the Bittoms Car park based upon Best Consideration being obtained following a Marketing exercise or Special Purchaser interest.

REASON FOR RECOMMENDATIONS:

By approving these recommendations Surrey County Council (SCC) will be able to fulfil the long-term commitment to move its Civic Heart to within the County of Surrey

The disposal will deliver a significant capital receipt for SCC whilst delivering revenue savings from ongoing running costs and maintenance liabilities associated with a Grade II listed building.

DETAILS:

Background

1. SCC have occupied County Hall since it was built in 1893, when the administrative boundary for Surrey incorporated Kingston Upon Thames.
2. Following the decision to vacate County Hall and relocate into Surrey County, various options for the site were considered, including a sale, obtaining planning approval for development.
3. As noted on the plan in Annex 1, the area for sale includes the main Council building, former staff club, tennis courts, and two residential properties in Milner Road. The site as a whole has been occupied by SCC as an operational Civic Heart since 1893.
4. The two residential properties, known as 5 and 7 Milner Road, are currently let as Residential Company Lets (RCLs).

Alternative Options - Planning/Development

5. SCC had commenced in the summer of 2020 a hybrid planning application for a detailed application that covered a residential mixed use led scheme for the County Hall campus incorporating an outline consent for the longer-term redevelopment of the Bittoms car park.
6. Concurrently, there were ongoing discussions with Kingston University who had expressed a desire to acquire the front of the County Hall building, incorporating the original 1893 section and the first extension made in 1938 onto Penrhyn Road. However, SCC was unable to agree appropriate terms with Kingston University.
7. Interested purchasing parties were made aware of these conversations during the marketing exercise to allow them to continue the dialogue directly with the University should they wish.
8. SCC's proposed hybrid planning scheme was for a mixed-use development of circa 453 residential units across the County Hall Campus and Bittoms car park with ancillary community space in the 1893 part of the main building.
9. The proposed disposal of the Bittoms car park would seek to secure an appropriate and long-term development coverage to ensure optimum value for money is achieved.
10. Whilst it is possible that continuing to obtain a residential led mixed-use planning consent for the site may achieve a greater capital receipt, the time and cost of obtaining planning permission would be extensive and likely to involve undertaking a planning appeal to the Secretary of State in the likely event of RBKuT refusing our planning application.
11. SCC would also continue bearing the 'holding costs' of securing and maintaining the County Hall Campus buildings during this time at circa £9k per month for the duration the Campus remains empty. Continuing the planning route rather than a sale, could be a minimum of a further 24-36 months of holding costs.

12. This would then be followed with a further six-month marketing and disposal exercise to seek a new potential purchaser on an unconditional basis.
13. Should SCC decide to continue with the proposed planning and development of the site, the returns generated by such a development would unlikely to exceed the unconditional cash offer from the purchaser and would be subject to substantial risk (planning, construction and letting/sale risks) and could take a 3-5 year period to materialise.
14. Following the recent marketing exercise run by the Council's agents, Avison Young, a financial offer was made which has been validated by Lambert, Smith Hampton as representing s123 Local Government Act 1972 best consideration.
15. The full Heads of Terms are agreed, the price offered has been accepted, on the basis of an unconditional sale within a short timescale.
16. The contract for the unconditional cash disposal to the purchaser also includes a 20-year revenue planning overage clause. More detail contained within the Part 2 paper.
17. It is recommended that SCC proceed with exchange and completion of contracts for the County Hall Campus following Cabinet approval being obtained, with completion targeted by 26th March 2021.

CONSULTATION:

18. Councillor Tim Oliver, Leader of the Council and Councillor Mel Few Cabinet Member for Resources has been consulted on the disposal.

RISK MANAGEMENT AND IMPLICATIONS:

Key Risks and Mitigation Summary			
	Risk Description	RAG	Mitigation Action/Strategy
1	The main risk is that the purchaser does not proceed with the acquisition as a result of either a change of mind or as a result of issues identified during the due diligence process.		Early access to the property has been afforded to permit the purchaser to undertake any intrusive site investigations as part of their technical due diligence.
2	Unable to provide vacant possession of County Hall 26 March 2021		CH main building – work is underway to relocate all staff and decommission critical IT services. Discussion with the purchaser in terms of granting a temporary licence to occupy the building is being negotiated to be granted post completion if needed to allow for any final

			decommissioning or occupational use
3	Unable to provide vacant possession of the two houses in Milner road by 26 March 2021		Negotiations underway with the purchaser to put into place legal mechanisms that seek to mitigate any impact of a force majeure situation created by the current Covid19 Pandemic and any existing or new Laws enabled by Central Government.

Financial and Value for Money Implications

19. The sale terms have been agreed on an unconditional sale basis between SCC and the purchaser.
20. Avison Young (AY) the Councils Marketing Agents have undertaken a viability assessment of the proposed hybrid Planning Application to assess the commercial viability.
21. The viability assessment supported that the unconditional offer from the purchaser falls within the range for the proposed schemes residual land value.
22. The earlier scheme to obtain planning approval and self-development was not deemed viable.
23. AY are advising that the unconditional offer received for the County Hall Campus site, (including the former staff canteen, tennis courts and the two Milner Road, houses), based on the calculations and assumption represents best consideration when taken within the ranges noted.
24. The County Hall campus has been subject to a number of asset valuations over the years. The most recent of which was undertaken by Lambert Smith Hampton in November 2020. The calculated values of the campus on existing use values are set out within the Part 2 paper.
25. This confirms that the offer received on an unconditional basis from the purchaser aligns within the redevelopment GDV of any mixed-use residential development by the purchaser and substantiates the recommendation to sell the County Hall campus.

Section 151 Officer Commentary

26. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium term financial outlook is uncertain. The public health crisis has resulted in increased costs which may not be fully funded in the current year. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.

27. The Section 151 Officer supports the sale of the County Hall campus, as outlined above. The capital receipt has been assumed in the Medium Term Financial Strategy and will be available to finance the approved capital programme, reducing the Council's ongoing borrowing costs associated with the capital strategy.

Legal Implications – Monitoring Officer

28. Under Section 123 of the Local Government Act 1972, local authorities have the power to dispose of land in any manner they wish, subject to the disposal being for the best consideration reasonably obtainable. The Council has been advised by its external property consultants that the sale price is 'market value' and that the proposal complies with Section 123 of the Act.
29. By ensuring that the purchaser enters into planning overage conditions, the Council has protected its legal position in light of the fact that there are such clawback arrangements in place.
30. The Council has taken the required steps to ensure that vacant possession can be obtained in relation to the two residential properties in Milner Road. The purchaser have requested that vacant possession of the whole site is provided on completion, however, due to the protection afforded to tenants under the Coronavirus Act 2020 there is a possibility that vacant possession may not be achievable by the proposed completion date, if the current tenants decide not to vacate. Terms will need to be negotiated and documented in the legal agreements with the purchaser should this situation arise to ensure that the transaction is not delayed or abortive.

Equalities and Diversity

31. There are no equality implications in relation to the recommendation.

Other Implications:

32. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report.
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report.
Environmental sustainability	No significant implications arising from this report.
Public Health	No significant implications arising from this report.

Environmental sustainability implications

33. The sale of the site will not have an impact on environmental sustainability.
34. The sale is expected to result in development of the site, which is likely to have environmental sustainability implications. In line with planning regulations, a full

Environmental Impact Assessment (EIA) will be required alongside the planning application for the site.

35. By disposing of the County Hall campus, SCC will be reducing their carbon emissions by circa 804 tonnes per annum

WHAT HAPPENS NEXT:

36. Upon completion of the legal due diligence by the purchaser and upon expiry of the SCC Select Committee call in period of 7 working days from the Cabinet decision being made:

- Contracts will be exchanged on the disposal of the freehold interest in the property, subject to the existing leases in place.
- Completion of sale will be targeted for the 26 March 2021

Contact Officer:

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Consulted:

Councillor Tim Oliver, Leader of the Council
Councillor Melville Few Cabinet Member for Resources

Annexes:

Annex 1 – Marketing Pack
Part 2 report

Sources/background papers:

N/A
