

Item No. 18.	Classification Open	Date: 19 July 2011	Decision Taker: Cabinet
Report title:		Disposal of 19 Spa Road Bermondsey, SE16	
Ward or groups affected:		Grange Ward	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY

As part of the council's asset management strategy, we have previously agreed that we should seek to sell 19 Spa Road to raise funding for the council's capital programme, enabling us to improve facilities for our residents. This report sets out the work carried out to date to achieve this and proposes the sale of that site. It also delegates to the Head of Property the responsibility to finalise the terms for that sale.

19 Spa Road is a historically important building, which served as Bermondsey Town Hall between the end of World War 2 and the creation of the London Borough of Southwark in 1964. Although this was a relatively short period, as a Bermondsey resident I know that it is an important part of the history of the area, as well as being a Grade II Listed building. I am therefore glad that the proposal in the report will retain the building for future generations, keep the building in active use and contribute towards the Bermondsey Spa regeneration.

RECOMMENDATIONS

That Cabinet agrees:

1. To the disposal of 19 Spa Road ('The Property') on the principal terms set out in the closed version of this report.
2. The Head of Property is authorised to agree any variations to these terms that may be necessary to achieve the disposal in the light of further negotiations and securing full planning consent.
3. That in the unlikely event that this proposed disposal does not proceed to exchange, that the Cabinet authorises the Head of Property to agree the terms of a sale with any one of the under bidders set out in this report or any other third party, provided that these terms conform with the council's legal obligation to achieve the best consideration reasonably obtainable.

BACKGROUND INFORMATION

4. The Property comprises a substantial detached four storey building constructed circa 1930 and known as the Bermondsey Town Hall. It is shown in the photographs at Appendix 1 and shown in bold outline (labeled i) on the plan at Appendix 2.

5. It is located on Spa Road and the building forms part of the council's landholdings in Site C which was the largest site identified for regeneration within the Bermondsey Spa Area as set out in the Master Plan dated 2000.
6. The adjoining site known as Site C5 along with 17 Spa Road which is shown coloured green (labeled ii) on the plan at Appendix 2, was identified for disposal as part of the Office Accommodation strategy in 2008. The sale of C5 including the Woodmill complex to Notting Hill Housing Trust for redevelopment was completed in May 2011. The sale of the site at 17 Spa Road is due to complete later this year. Number 15 Spa Road, shown coloured blue (labeled iii), was sold to a Buddhist organisation in 2009. The council still retains ownership of the areas within Site C shown coloured yellow (labeled iv).
7. The Property has been used for a number of municipal purposes over the past 80 years and is currently used to accommodate local area housing staff, some health and social care staff and the cash office. The building is currently being decommissioned and will be vacated by the end of October.
8. The council holds the freehold interest in the Property.
9. The Property is a Grade II Listed structure
10. On 23 November 2010, Cabinet agreed that the future use of this building alongside Southwark Town Hall and Walworth Town Hall and the functions remaining therein should be reallocated.

KEY ISSUES FOR CONSIDERATION

Basis of disposal

11. It was agreed by Cabinet on 23 November 2010 that officers should explore the options for disposal of the Property, as one of the three town halls, and commence preparation as soon as practicable for the disposal, coming back to Cabinet for a decision on the particular disposal set out in this report
12. The Property is held in the General Fund and the disposal of this site needs to achieve the best consideration in accordance with section 123 of the Local Government Act 1972.
13. Although it is proposed to dispose of this building for redevelopment by others, the Borough will nevertheless want to ensure the completed development reflects the vision set out in the Bermondsey Spa masterplan and the Southwark Plan
14. The disposal will be conditional on vacant possession being obtained and the relocation of staff to achieve same. Housing officers will be accommodated within the new northern housing hub proposed in the housing reorganisation plans. This will either be at Mabel Goldwyn House or Tooley Street. Remaining health and social care teams are moving to MGH. Officers are investigating alternative facilities for the re-provision of the income management section (cash office) also based in the building and will be discussing with the Unison office a new venue for their accommodation as well.
15. The remaining functions operating from the property, including the IT dependencies, will be decommissioned during the period leading up to the sale

completion. Appropriate safe-guards will be put in place to ensure business continuity.

16. The freehold interest in the Property was formally placed on the market in February 2011 through Colliers. Advertisements were placed in the local and national property press, details were sent out to Colliers database of applicants and a board was placed on the property.
17. The site was marketed on the basis of a two stage process, with expressions of interest being invited in the first instance. There was a good response to the advertising and seven expressions of interest were received on 16 March 2011. These expressions of interest did not include a financial offer but an outline of the parties' proposals for the redevelopment of the building and a statement of their track record of similar schemes and funding arrangements. All were conditional on planning consent being obtained before completion.
18. A number of parties were short listed with a view to their submission of informal tenders in mid June.
19. This further period of engagement has included the preparation of draft Heads of Terms and there has also been the opportunity for bidders to submit their proposed schemes for formal written pre-application planning advice. It was agreed that this advice would form part of their informal tender and would be considered alongside their price.

Assessment of informal tenders

20. Tenders were received from four applicants on 21 June 2011.
21. The bidders were asked to set out their proposals on the basis of
 - A formal response to the draft Heads of Terms setting out the terms of purchase including price, proposed phasing of payments and overage based on sales, planning and disposal.
 - Details of the company submitting the proposal including funding arrangements
 - The company's history of delivering similar schemes including examples of successful projects.
 - Outline proposals for the site and the planning pre-application advice thereon.
22. In order that proposals could be assessed against the requirement to achieve best consideration, a valuation report was obtained from BNP Paribas Real Estate, a national practice of Chartered Surveyors.
23. Applicants were asked to consider including overage provisions so that the council will benefit if the developer achieves more than a set number of units or higher end sale values or in the event that the site is sold on for profit.
24. Assessment of the tenders in term of quality as well as price is important so the deliverability of applicants' proposals for the site both in financial and planning terms have also been assessed.

25. In order to ensure that bidders fully understood the council requirements and to enable an effective comparison of tenders they were asked to respond to draft Heads of Terms. All developers were informed of the requirement to enter into a claw back agreement so that the council will benefit from any increase in value if site is sold (or sold on again) within an agreed period.
26. The submission of schemes for pre-application advice from the planning authority has enabled officers to effectively assess the deliverability of each proposed scheme. This is especially important where tenders are conditional on planning and so the sale will not complete until planning consent is obtained. Obtaining details of their proposals at this stage enables the council to clearly define in the contract documentation what is required in terms of a planning consent to allow the sale to complete.

Analysis of proposals

27. An analysis of the tenders is set out in the closed report. The recommended bidder and the principal terms are set out in the closed version of this report. The Head of Property confirms that this offer represents best consideration.

Next steps

28. If the council decided to proceed and accept the recommended informal tender for 19 Spa Road, solicitors would be instructed and the target date for exchange of contracts would be September 2011.
29. If contracts are exchanged in accordance with this timetable planning consent submitted by December 2011 and if planning consent is granted then the sale would complete in summer 2012.
30. In the event that contracts are not exchanged by September 2011 and there has not been significant progress with negotiations with the preferred bidder, the Head of Property should be authorised to open discussion with the under-bidders with a view to exchanging contracts for the disposal of the Property.

Policy implications

31. The proposal will produce a significant capital receipt that will be available to supplement the capital programme
32. The disposal of 19 Spa Road for redevelopment will ensure that an important listed building is kept in active use. This proposal will contribute to the further regeneration of Bermondsey Spa as set out in the Southwark Plan.

Community impact statement

33. There are no adverse effects on the local community arising from this proposal.

Resource implications

34. There are no direct staffing implications arising from the proposed disposal strategy.

Financial Implications

35. The proposal should generate a substantial capital receipt in support of the modernisation agenda.
36. Disposal of this site will also contribute towards the revenue savings through rationalisation of running costs identified within the Modernise 2 Business Plan.

Key risks and how they will be managed

Risk	Impact	Mitigation
Bidders proposals for their proposed schemes do not meet planning policy requirements.	Scheme does not get planning consent	Work with preferred bidder to address issues and find solutions
Bidders proposals for residential element exceeds densities or involve extensive alteration to the listed structure	Scheme does not get planning consent	Ensure that wording in sale contract allows LBS to determine if application is not made and consent obtained within set period
Vacant possession is not obtained by the required completion date	Sale will not complete	Continued close liaison with Housing and Corporate Services to ensure decants proceed smoothly.
Further deterioration in property markets and availability of funding	Preferred bidder decides not to /cannot proceed	Continue to work closely with preferred bidder to strict timetable and promote success of Bermondsey Spa including works to Public Realm and other development sites to ensure this site is prioritised in term of the options available to them.
Developers exploit current market conditions and buy site with a view to selling on for profit	Council loses income and possible damage to reputation.	Inclusion of detailed claw back provisions in sale contract

Consultation

37. The Bermondsey Spa Masterplan, the Site C Masterplan and the Southwark Plan (Unitary Development Plan) have been subject to extensive public and community consultation. Exhibitions and public meetings have been held and observations received and considered.
38. Any application for planning consent for the change of use or development of this site will be subject to the usual statutory consultation.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

39. Section 123 of the Local Government Act 1972 provides that a local authority may dispose of land in any manner it wishes without the Secretary of State's consent if any such disposal, other than a lease of up to a term of seven years, is for the best consideration reasonably obtainable
40. Paragraphs 12 and 22 of this report refer to the need to obtain best consideration. If the Cabinet is satisfied the disposal is for the best consideration reasonably obtainable and represents good value for money it may approve the recommendation for sale.
41. The council also has wide general powers under Section 2 of the Local Government Act 2000 which allows a local authority to do anything it considers is likely to achieve the promotion or improvement of the economic, social or environmental well being of its area or the residents of that area. This would allow the council *inter alia* to enter into the proposed overage ("clawback") agreement referred to in paragraphs 23 and 25 of this report

Finance Director

42. This report recommends the disposal of 19 Spa Road. It also recommends that the Head of Property is authorised to agree any variations to these terms that may be necessary to achieve the disposal. In the unlikely event that this sale does not proceed to exchange, Cabinet are asked to authorise the Head of Property to agree the terms of a sale with any one of the other bidders provided best consideration continues to be achieved.
43. The disposal is in accordance with the revised office accommodation strategy and supports the Modernise 2 Business Plan. The Finance Director notes that best consideration will be obtained for the property.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Correspondence file	Property Services 160 Tooley Street SE1 2QH	Jane Seymour 020 7525 4907

APPENDICES

No.	Title
Appendix 1	Photograph of the Property
Appendix 2	Plan of Property and adjoining site

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Jane Seymour, Project Manager	
Version	Final	
Dated	7 July 2011	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team	7 July 2011	