

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	Thursday 27 July 2023
<b>Subject:</b>	St Anne's House, St Peters House and Balliol Road Car Park, Bootle		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	Derby;
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No, however Appendices 1 and 2 of the Report are NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). The Public Interest Test has been applied and favours the information being treated as exempt.		

### Summary:

This paper requests Cabinet approval to complete the freehold disposal of three property assets comprising St Anne's House, St Peter's House and Balliol Road Car Park, Bootle on the terms detailed within this report. This disposal forms part of Phase 3 of the Council's Asset Disposal Programme. The disposal is conditional upon the purchaser securing planning consent to convert St Anne's House and St Peter's House to residential use.

### Recommendations:

That Cabinet:

- (1) Approve the Heads of Terms for the proposed sale of St Anne's House, St Peter's House and Balliol Road Car Park, as detailed within Appendix 1 of this report.
- (2) Note the Valuation and gross figures provided within Appendix 2 of this report, which ensures the Council are obtaining best consideration for the sale of St Anne's House and St Peter's House.
- (3) Delegate the authority to approve the valuation of Balliol Road Car Park to the Cabinet Member - Regulatory, Compliance and Corporate Services, which shall inform the future price to be paid for this asset.
- (4) Approve the deduction of up to 4% of the eventual capital receipt to cover the professional fees and incidental costs of disposal as set out in Capital

Accounting Regulations.

- (5) Authorise the Chief Legal and Democratic Officer to complete the necessary legal formalities.
- (6) Note that the relocation of the Council IT Data Centre from St Peter's House will be fully funded by the capital receipt from the sale of St Anne's House, St Peter's House and Balliol Road Car Park. The options and costs associated with relocating the IT Data Centre are currently being finalised and will be the subject of a further report to Cabinet.

**Reasons for the Recommendations:**

- (i) The three assets are identified as being surplus to operational requirements and disposal will generate a capital receipt that can support the delivery of economic development and regeneration projects, which form part of the Growth and Strategic Investment Programme.
- (ii) Incidental costs of disposal such as Consultant's fees and valuation reports can be deducted from a capital receipt in accordance with Local Authority Capital accounting Regulations.
- (iii) The assets have been identified for disposal because they adhere to two criteria: that each capital receipt forecasted represents financial "best consideration" and where the loss of other opportunities is quantifiable and does not undermine wider service delivery and economic development/regeneration priorities.

**Alternative Options Considered and Rejected: (including any Risk Implications)**

- (i) Option 1 – "*Do nothing*": do not dispose of St Peter's House and Balliol Road car park. The Council is obliged to agree to the Long Leaseholder's request to convert St Anne's House to residential use. Clause 2(13) of the existing lease does not permit the conversion of St Anne's House from office to residential, with such consent not to be unreasonably withheld by the Council (the Landlord).

Risk: Officers undertook a review of the Council's office accommodation in Bootle during 2021/22. A cost benefit assessment was completed, which led to the Council agreeing terms for a new lease of Magdalen House in 2022. Retention of St Peter's House is not required as the Council is in the process of relocating all remaining services into Magdalen House and other operational Council buildings within Bootle. If the Council were to retain St Peter's House it would be left with a vacant office building and would incur holding costs including business rates of over £100k per annum.

- (ii) Option 2 – "*Seek a joint disposal of St Anne's House and St Peter's House*": the Council and the Long Leaseholder would jointly appoint agents to market both assets for sale, with interest from purchasers likely to be for converting the buildings to residential use.

Risk: this option is not preferred by officers as a joint disposal will be complex for both parties. Prospective purchasers would see this as an added complication, given that the Council and the Long Leaseholder may have conflicting objectives for a disposal. The agent acting for the Long Leaseholder has confirmed that a joint disposal is not the favoured option for his client.

- (iii) Option 3 – “*Council to buy out the Long Leaseholder of St Anne’s House*”: the Council would acquire the Long Leasehold interest in St Anne’s House for the sum presented within Appendices 1 and 2. This would provide the Council with unencumbered freehold ownership of the asset and the ability to bring forward a wider redevelopment scheme with other public sector partners.

Risk: The short-to-medium term (1-3 year) risk is that the Council is going to incur upfront capital outlay to buy-out the long leaseholder of St Anne’s House without any clearly defined financially viable plan for the assets. The Council will have ongoing revenue costs associated with holding two multi-storey vacant office blocks.

## **(A) Revenue Costs**

Work streams to conclude the sale will be progressed by internal team resources. The purchaser has agreed to pay up to 1% of the purchase price, which will cover the Council’s legal and professional fees for concluding sale contracts.

Disposal of St Anne’s House will result in the loss of a ground rent payable to the Council, which is based on 7.5% of the rental income from the property. The only income received by the Lessee is from the Council’s occupation of the car park under a 10 year lease at a rent of £10,000 per annum. Based on the 7.5% of this income, the Council is entitled to a ground rent of £750 per annum plus VAT. The lease of car parking spaces at St Anne’s House will be terminated when the properties are disposed of, therefore saving the Council £10,000 per annum. Income against expenditure results in a net saving of £9,250 per annum plus VAT.

Disposal of St Peter’s House will create a revenue saving to the Council of at least £431,250. These savings have been included in previous budget proposals.

## **(B) Capital Costs**

Under Local Authority Capital Accounting Regulations’ the Council is entitled to use up to 4% of a capital receipt to meet the incidental costs of a disposal. In this case the costs of the valuation report and the fees for negotiating the terms for the disposal will be deducted from the eventual receipt.

The cost of the relocation of the Council IT Data Centre from St Peter’s House will be fully funded by the capital receipt from the sale of St Anne’s House, St Peter’s House and Balliol Road Car Park. The preferred option and costs associated will be the subject of a further report to Cabinet.

## **Implications of the Proposals:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> Property and Facilities Management to work alongside the Chief Legal and Democratic Officer to complete the disposal.	
<b>Legal Implications:</b> The Chief Legal and Democratic Officer will complete the legal documentation for the disposal in accordance with Section 123 of the Local Government Act 1972 (as amended).	
<b>Equality Implications:</b> There are no equality implications.	
<b>Impact on Children and Young People:</b> No	
<b>Climate Emergency Implications:</b> The recommendations within this report will:-	
Have a positive impact	No
Have a neutral impact	No
Have a negative impact	Yes
The Author has undertaken the Climate Emergency training for report authors	Yes
The recommendation within this report will have a negative impact on the carbon footprint of Sefton Borough. There are the direct emissions which result from the refurbishment of the vacant building as well as long-term carbon emissions from each new home created.	

**Contribution to the Council’s Core Purpose:**

<b>Protect the most vulnerable:</b> Not applicable.
<b>Facilitate confident and resilient communities:</b> Disposal of the assets will facilitate a refurbishment scheme to provide new residential dwellings in the Borough.
<b>Commission, broker and provide core services:</b> Not applicable.
<b>Place – leadership and influencer:</b> Not applicable.
<b>Drivers of change and reform:</b> Not applicable.
<b>Facilitate sustainable economic prosperity:</b> Not applicable.
<b>Greater income for social investment:</b> The disposal of St Anne’s House and St Peter’s House will secure a capital receipt and directly contribute to the Council’s Growth Programme.
<b>Cleaner Greener:</b> The refurbishment scheme will need to satisfy planning policy requirements and achieve Building Regulations: Approved Document L1 (Volume 1 2021). This contains guidance on standards that the scheme will have to meet relating to the conservation of fuel and power: insulation regulations, boiler productivity, lighting, storage technology for hot water systems, standards for carbon index rating, solar emissions, heating and

ventilation systems, space heating controls, and air conditioning.

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations include:**

The Executive Director of Corporate Resources and Customer Services (FD.7286/23) and the Chief Legal and Democratic Officer (LD.5486/23) have been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

Not applicable.

**Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting.

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**Appendices:**

The following appendices are attached to this report:

Appendix 1 - Heads of Terms

Appendix 2 - Valuation

Appendix 3 - Site Plan

**Background Papers:**

There are no background papers available for inspection.

## **St Anne's House, St Peters House and Balliol Road Car Park, Bootle**

### **Introduction**

- 1.1 St Anne's House is a vacant office block, which adjoins St Peter's House in Bootle. The Council own the freehold interest in both properties and St Anne's House is subject to a Long Lease for a term of 99 years with effect from 4<sup>th</sup> March 1968, and expires in 2067.
- 1.2 St Anne's House has been vacant for some time and the Long Leaseholder approached the Council seeking to merge the existing long lease and freehold interests to secure a disposal to a third party developer, who would convert St Anne's House into residential use. The offer from Long Leaseholder has been considered in the context of a high-level accommodation review in Bootle town centre that has been undertaken by Property and Facilities Management.

### **Review of Operational Estate in Bootle**

- 2.1 The accommodation review was completed in 2022 and made recommendations of how the Council can look to reduce holding costs and ensure a "fit for purpose" and efficient operational estate in Bootle. This work informed the Council's decision to agree terms for a new 10-year lease for the whole of Magdalen House. The Council has been decanting all operations from St Peter's House into Magdalen House, which will mean that the asset is vacant and surplus to requirements.
- 2.2 Given the development aspirations of Long Leaseholder of St Anne's House and St Peter's House identified as surplus to requirements, officers from Property and Facilities Management Team agreed to jointly commission a valuation report for St Anne's House, St Peter's House and Balliol Road car park. The intention of this valuation was to help inform realistic options that are available to bring forward a redevelopment of the combined land interests and to help both parties agree next steps. The valuation was completed and sets out the individual and combined value of the freehold and long leasehold interests.
- 2.3 The Council has assessed a range of disposal routes, with the preferred option being to agree a deal that will allow Long Leaseholder of St Anne's House to acquire the Council's freehold interests in St Anne's House and St Peter's House. If approved by Cabinet, this disposal will form part of Phase 3 of the Councils Asset Disposal Programme.
- 2.4 Head of Terms that set out the basis of the disposal have been provisionally agreed between the parties and are detailed within Appendix 1 of this report. The property deal also provides the Lessee of St Anne's House with a right of pre-emption in relation to Balliol Road Car Park. This in effect gives the Lessee of St Anne's House a right of first refusal to acquire Balliol Road car park at a later date. The price to be paid for the Car Park will be subject to independent valuation at a point in the future to ensure transparency and that the deal satisfies best consideration for the Council.
- 2.5 The disposal has been structured on this basis after an internal car parking review confirmed that the loss of 134 spaces at Balliol Road car park now would restrict

flexibility across the Council's occupational estate in Bootle, especially whilst Magdalen House was in occupation. The Council can therefore continue to use Balliol Road Car Park in line with existing usage.

- 2.6** In order to complete on the disposal of St Peter's House, the Council must relocate its IT data centre. Officers have been collating costs for this, the details of which will be presented to Cabinet in a further report by the Service Manager for ICT and Digital.

### **Planning Policy Context**

- 3.1** The plan to convert St Anne's House and St Peter's House into residential use will be subject to a planning application and be required to meet statutory planning policy requirements. Both assets are located within an area designated as the Commercial Quarter in the Bootle Town Centre Investment Framework. A more diversified Commercial Quarter is proposed, which includes opportunities for new homes on vacant land or through conversion of vacant offices.

### **Timescales**

- 4.1** Pending Cabinet approval to the proposed deal, timescales as follows:
- Exchange of land sale contracts for St Anne's House and St Peter's House in Autumn 2023.
  - Completion of land sale contracts: 2024 (dependent upon award of planning and relocation of Council's IT Server).
  - Completion of land sale for Balliol Road car park (subject to independent market valuation): 2032.

### **Best Consideration**

- 5.1** The Council is under an obligation to ensure that any offers for properties represent "best consideration" in accordance with Section 123 of the Local Government Act 1972 (as amended). The land sale price agreed and detailed within Appendices 1 and 2 complies with such an obligation.
- 5.2** The proposed approach also takes account of the Council agreed Asset Disposal Policy which enables sales by way of private treaty or negotiated disposal where there are compelling reasons to treat with a purchaser such as the nature of the sites and the identified parties' status as a special or unique purchaser.