

PART 1 Report



London Borough of Enfield

Title:	Operational KD 3432 Surplus property disposal - Charles Babbage House
Report to:	Sarah Cary – Executive Director Place
Date of Report briefing:	12 April 2023
Director:	James Wheeler
Report Author:	James Hall james.hall@enfield.gov.uk
Ward(s) affected:	Southbury
Key Decision Number	KD 3432
Implementation date, if not called in:	20 April 2023
Classification:	Part I Public
Reason for exemption	The Part II report contains information that is commercially sensitive and could be prejudicial to the interests of both the Council and potential buyers.

Purpose of Report

1. To approve the disposal of Charles Babbage House, which has been declared surplus to operational requirements, following a period of open marketing, to preferred Bidder 'B' and on terms set out in the attached Part II report.

Recommendations

- I. Agree the sale of Charles Babbage House to Bidder 'B' as preferred bidder in accordance with the Heads of Terms appended to the confidential Part II report.**
- II. Authorise the Director of Property to finalise non-material changes to the Heads of Terms, including such variations that may be necessary to cover existing third-party rights affecting the property.**
- III. To note that all agreements to be entered into as contemplated by this report are to be approved in advance of commencement by Legal Services on behalf of the Director of Law and Governance.**

Background and Options

2. Charles Babbage House had been occupied by the Childrens' Services department until late 2022, when the functions moved into the newly refurbished Thomas Hardy House in Enfield town centre.
3. In late 2020, around the time decisions were taken on future moves for operational services, a related Cabinet decision (KD 5189) approved the disposal of Charles Babbage House as part of a portfolio of property sales that would help fund the Council's Build the Change programmes.
4. Marketing of the subject property commenced shortly before the building was vacated and this process has resulted in a number of bids that are described in more detail within Part II of this report.
5. Most of the interest generated by our marketing campaign has been among developers and investors, looking to convert the property for residential use (under Permitted Development rights for office-residential) but there has also been positive interest among owner-occupiers for uses that involve community facing activities and will maintain the building largely as-is.
6. Consideration was given to leasing the property out for office or other non-residential uses (as rental income can be a good alternative to a capital receipt) but there was insufficient interest to make that a viable option.
7. Discussions have also taken place with colleagues in the HRA and Housing Gateway Ltd (HGL) about the possibility of retaining the property for conversion to temporary housing but that is not a financially viable option.
8. Therefore, following a 4-month marketing campaign (which included extensive publicity among a wide cross-section of commercial businesses and community groups) this paper reports on the various offers received and recommends sale to the preferred bidder. The marketing process culminated in a second round of best and final bids following some late expressions of interest and some close offers.

Preferred Option and Reasons for Preferred Option

9. Analysis of the various proposals received was undertaken, based on the offer level and conditionality, consideration of social value and assessment of the bidders' credentials and deliverability.
10. Bidder 'A' was initially the highest offer; however their bid was subject to several conditions. The Council also sought clarity on the proposed use. Bidder 'A' subsequently withdrew their bid, resulting that Bidder 'B' was the highest offer of the remaining bids.
11. Bidder 'B' had a strong proposal in terms of the other considerations, as detailed in Part 2 and therefore a recommendation to sell to Bidder 'B' is being made.
12. The reasons for recommending Bidder 'B' are therefore the level of the offer, the deliverability of the bid and credibility of the preferred bidder, supported by a use that retains an element of social value benefit and one that is compatible with the locality.
13. Further details of the assessment of the bids in contained in Part 2.

Relevance to Council Plans and Strategies

14. The sale of the property will deliver a much-needed significant capital receipt to the Council and thereby helping generally to fund Council services which contribute to a strong and healthy community.

Financial Implications

15. This decision will result in a £3.85m capital receipt. It is expected to cost £214k to achieve this, mostly decommissioning costs, which will be funded from the capital receipt
16. If the remaining £3.6m is used to repay debt/ substitute borrowing, that would avoid circa £164k per annum in interest costs (assuming a marginal borrowing rate of 4.5%). There will be a loss of £20k per annum rental income currently received (majority from roof masts) (see para 34).
17. The Council's 2023/24 budget includes an assumption of £7.2m capital receipts in 2023/24 to offset borrowing and fund specific transformation programmes. If this is not achieved, there will be an additional pressure on the Council's revenue budget via interest costs and provisions to repay debt.
18. The bid satisfies requirements to generate best value, as stipulated by the Local Government Act 1972, due to competitive bidding process which generated the highest bid which was accepted.
19. There is £17k of existing borrowing related to the site, which will be funded from the capital receipt.

(Financial Implications provided by OB & MJ on 05.04.2023).

Legal Implications

20. Section 123 of the Local Government Act 1972 gives a power of sale or leasing to Councils. Pursuant to this section, the Council has a statutory duty to achieve best consideration (save for tenancies of less than seven years), unless it has the benefit of an express or general consent of the Secretary of State. In entering into property transactions, the Council must also comply with the provisions of its Constitution, including but not limited to its Property Procedure Rules, which set out mandatory procedures regarding (amongst other things) the acquisition, management and disposal of property assets.
21. In this case, it is noted that an open marketing exercise was undertaken and that Bidder 'B' has made the highest remaining offer and has been selected as the preferred bidder on this basis, representing best consideration reasonably obtainable and compliance with the Council's Property Procedure Rules.
22. Public law principles will apply to the decisions made by the Council, including the Council's duty to take account of its fiduciary duty and to act prudently. The Council is also under a general duty to act reasonably and show that its decisions are made after having given due and proper consideration to all relevant factors. Furthermore, the Council is required as a best value authority under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. It is considered that this duty is fulfilled by the proposals described in this report as the adoption of the recommendations lies within the powers of the Council.
23. The Council is required to act in accordance with the Public Sector Equality Duty under section 149 of the Equality Act 2010 and have due regard to this when carrying out its functions. It is noted that corporate advice has been taken on this issue.
24. Any legal agreements arising from the matters described in this report must be approved by Legal Services on behalf of the Director of Law and Governance.

(Legal implications provided by EP on 04.04.2023).

Equalities Implications

25. Corporate advice has been sought regarding equalities and an agreement has been reached that an equalities impact assessment is neither relevant nor proportionate for the approval of this report.

HR and Workforce Implications

26. There are no workforce implications.

Environmental and Climate Change Implications

27. The winning bidder's proposal is to retain and reuse the building for non-domestic purposes, this use type is not expected to dramatically increase the energy consumption of the site.
28. As the site has a high embodied carbon content due to the construction type, from a carbon emissions standpoint retaining the building in its current form may be preferable to proposals that involve major development or demolition of the site, unless these works were done with careful consideration for minimising carbon.
29. The site has an EPC of E which, demonstrating the site would benefit from energy and decarbonisation upgrades, it is unknown if the bidder proposes to make energy or decarbonisation improvements to the site. Alternative options, such as PD change of use, may have had a negative energy cost impact for occupants without significant upgrades.
30. It should be noted that if the bidder retains the site for private use there may be limited planning or regulatory controls for improving the energy efficiency of the building, currently regulation primarily covers lettings.
31. For reference, the council invested in LED lighting at the site in 2016 through the Salix recycling loan (fully repaid in 2022) and PC Power Management improvement works in 2020 (repaid by 2022)

Public Health Implications (if any)

32. There are no public health implications.

Property Implications

33. Property implications are within the main body of this report and accompanying Part II (confidential) paper.
34. The freehold interest is being sold with Vacant Possession but subject to two utility tenancies detailed as follows:
 - T-Mobile (UK) Ltd & Hutchinson 3G UK Ltd – (Roof Masts Telecommunications) Lease dated 11 May 2009 for a term of 10 years from 11 May 2009 (now holding over).
 - i) TXU Europe Group Plc (In administration) (ii) Alan Robert Bloom and others (iii) National Transcommunications Ltd Lease dated 6 February 2004 for a period of 93 years expiring 22 December 2097.

Summary & Conclusions

35. The Charles Babbage House property recently became vacant and is surplus to the Council's operational needs.
36. Pursuant to a 2020 Cabinet decision, to sell the asset, a number of bids have been received following a 4-month marketing campaign.
37. Following the marketing process, this report seeks approval to proceed with Bidder 'B' based on analysis of all offers received and initial due-diligence on the preferred bidder's ability to complete the transaction in a timely way.

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Appendices

Sales Particulars
Part II Report - Confidential

Background Papers

n/a