

<b>Report to:</b>	Strategy & Resources Committee	<b>Date:</b>	31 October 2016
<b>Report title:</b>	Buildings Utilisation Implementation Board Report		
<b>Report from:</b>	Gerald Almeroth, Strategic Director of Resources		
<b>Ward/Areas affected:</b>	Beddington South, Beddington North, Sutton West		
<b>Chair of Committee/Lead Member:</b>	Councillor Ruth Dombey, Leader of the Council / Councillor Simon Wales, Deputy Leader of the Council		
<b>Author(s)/Contact Number(s):</b>	Ade Adebayo, Executive Head of Asset Planning, Management & Capital Delivery, 020 8770 6109		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>• A Fair Council</li> <li>• A Smart Council</li> </ul>		
<b>Open/Exempt:</b>	Appendix B is exempt on the basis of Paragraph 3, Schedule 12A of Local Government Act 1972		
<b>Signed:</b>		<b>Date:</b>	19 October 2016

## 1. Summary

- 1.1 The Strategy & Resources Committee agreed in March 2013 that a corporate Buildings Utilisation Implementation (BUI) Board be set up to review options for the future use of surplus and underutilised council buildings.
- 1.2 This report sets out the recommendations of the BUI Board for the future use of four Council buildings - Culvers Lodge, Hackbridge; Lindbergh Play Centre, Wallington; The Grange Lodge, Beddington Park and Quarry Cottage, Sears Park, Cheam - having assessed a range of options for each building using the Buildings Utilisation Options Framework agreed by Strategy & Resources Committee.

## 2. Recommendations

### In connection with Culvers Lodge, Hackbridge:

- 2.1 To agree that the Wandle Valley Regional Parks Trust (WVRPT) is allowed to take forward proposals to redevelop the existing Lodge into a mixed use building comprising office space with a community space/meeting room and social enterprise bike hub.
- 2.2 Agree that subject to the WVRPT securing the development funds required for the project, to authorise the Executive Head of Asset Planning, Management & Capital Delivery in conjunction with the Head of Shared Legal Services to negotiate and agree terms for a 99 year lease at market value for the building.

- 2.3 Agree that development proposals for residential development on the land adjacent to the Lodge are brought forward with the involvement of a Registered Provider and authorise the Executive Head of Housing and Regeneration to procure and agree terms for the development.

**In connection with the Lindbergh Play Centre, Wallington:**

- 2.4 Agree that the building is transferred to Limes College on terms that restrict it for use as a Pupil Referral Unit for primary school students.

**In connection with Quarry Cottage, Seears Park, Cheam.**

- 2.5 In its capacity as sole Trustee of the Charity of John Seears for an Open Space and Recreation Ground, to agree that the Sutton Living is granted a 125 year lease at market value to convert the building into two residential flats, subject to consent of the Charity Commission.

**In connection with Grange Lodge, Beddington Park, Beddington:**

- 2.6 Agree that Sutton Living is granted a 125 year lease at market value to convert the Lodge and its outbuildings into residential accommodation.

**3. Background**

- 3.1 Strategy & Resources Committee agreed in March 2013 that a Buildings Utilisation Implementation (BUI) Board be set up to review surplus and underutilised council buildings and recommend proposals for their future use. This is to be carried out in line with the Council's Corporate Asset Management Strategy
- 3.2 The Buildings Utilisation Options Framework committed the Council to the principle of using a comprehensive, objective and transparent process to guide decision-making on the future use of surplus or underutilised properties.
- 3.3 The Framework takes into account and allows a high-level comparison of different options for the future use of properties using a consistent methodology and evaluation criteria.
- 3.4 The scoring that results from the appraisal is designed to provide guidance for a decision making process which still allows the exercise of judgement. However, the consistency of approach in evaluating each option which allows weighting to be applied for the degree of confidence in the raw data used for the analysis allows for the evaluation to properly inform recommendations made by the BUI Board. The BUI Board is chaired by the Strategic Director of Resources.
- 3.5 The buildings and sites brought forward in this report have all been taken through the evaluation process in the Buildings Utilisations Framework.

#### 4. Issues

##### **Culvers Lodge, 110 London Road, Hackbridge**

- 4.1 Culvers Lodge is a locally listed building that has been vacant for a number of years. The building is classified as housing accommodation and is in the Housing Revenue Account. Due to its local historical value, local residents who have come together as “Friends of Culvers Lodge” have been working with the Wandle Valley Regional Park Trust (WVRPT) to establish a long term sustainable use for the building that will retain original features of the building but also enable it to be used as a space for community benefit.
- 4.2 Heritage Lottery Funding was secured for a feasibility study and following two rounds of public consultation, the best use for the site was agreed by the project steering group that included the WVRPT, Friends of Culvers Lodge and Council representatives, as a social enterprise hub, hot desking/office space and a community space/meeting room and with part of the gardens on the site to be used for a small scale residential development. Capital cost of refurbishing the Lodge is estimated at £250k and the steering group have already identified £215k towards the works.
- 4.3 This option has been evaluated alongside 5 other options using the Buildings Utilisation Options Framework. The extract below is taken from the summary page of the options appraisal. This records the relative scores of the 6 options considered. Option 1 (Do Nothing) is a standard option against which all other options are measured as any option that does not outscore the “Do -Nothing” approach suggests negative, rather than positive benefits from undertaking it.
- 4.4 The scores below, which are described as the average scenario, reflect the actual data entered into the model and as such is the best estimate of the actual option being evaluated.

	Option1	Option 2	Option 3	Option 4	Option 5	Option 6
Description	Do Nothing	Disposal with Restriction on Demolition	Let for Children’s Nursery	Mixed Use Nursery and Residential	WVRPT Scheme plus Residential Development (by WRVPT)	WVRPT Scheme plus Residential Development by Registered Provider
Weighted Average Total Score (Average Scenario)	12.50	65.40	66.00	68.23	65.41	74.12

- 4.5 In addition to the refurbishment of the existing Lodge along the lines described above, Option 5 also includes for the WVRPT and the Friends of Culvers Lodge to develop the proposed residential accommodation using a commercial loan with repayments met by the rental income generated by letting the properties. Option 6 includes the WVRPT’s proposals for refurbishing the Lodge but with the site for the residential accommodation sold by the Council to a Registered



Provider with whom the Council would seek to have nomination rights for use of the residential units created by residents on the housing waiting list.

- 4.6 Apart from the Do Nothing option, all the other options evaluated are relatively close in terms of the overall assessment, with the Option 6 outscoring the others by a small margin. This is the option recommended for approval as it enables the community-led proposals for a sustainable use of the Lodge to be taken forward but with responsibility for the new residential development resting with the Council.

**Lindbergh Play Centre, Lindbergh Road, Wallington**

- 4.7 The Governors of Amy Johnson School notified the Council in January 2016 of their intention, from 30 April, to discontinue the provision of after school services at the Lindbergh Centre due to falling numbers. Due to the ensuing under-utilisation of the building, a number of future uses for the building have been assessed using the Buildings Utilisation Options Framework.
- 4.8 Four options were considered, and the results are set out below. Apart from the standard Do Nothing option, these include disposal of the building on the open market, use of the building by Limes College as a Pupil Referral Unit for primary school age children and commercial letting of the building for use as a Children’s Nursery.

- 4.9 An extract from the summary page of the options appraisal is set out below.

	Option1	Option 2	Option 3	Option 4
Description	Do Nothing	Disposal on open market	Use as Primary School Pupil Referral Unit	Let as Children’s Nursery
Weighted Average Total Score (Average Scenario)	12.50	37.19	72.00	37.68

- 4.10 Option 3 - Use as a Primary School Referral Unit (PRU) is clearly the best option based on the assessment scores. This option will enable a PRU to be established that can accommodate up to 20 pupils. This will expand the current 6 places being hosted at Limes College and will enable a desirable separation of primary school age pupils at the PRU from older secondary school age children. The intention is that it would offer a preventative programme to help the young children back to school. It offers a significant reduction in cost from an average of £40k to £24k per pupil per annum.

- 4.11 It is intended that alongside this provision, the Council would be working with schools to get to a stage where it would be unnecessary to send primary school children to a PRU. It is intended that given the short to medium term nature of this proposal, a clear agreement is entered into with Limes College setting out the intention of the two parties that the building remains the property of the Council and will transfer back to the Council should Limes College become an Academy.

**Quarry Cottage, Seears Park, St Dunstan's Hill, Cheam**

- 4.12 Quarry Cottage is an attractive cottage in Seears Park that has fallen into disrepair since it was last used as accommodation for Park staff. Various attempts have been made over the years to get it back into beneficial use, but these have been constrained to an extent by the ownership structure of Seears Park. The park, including the cottage, is owned by the Charity of John Seears for an Open Space and Recreation Ground with the Council as sole Trustee. Consequently, any proposals for future use would need consent of the Charity Commission.
- 4.13 One of the proposals that had been previously put forward for Quarry Cottage and for which planning consent was granted was by a group that included the proprietors of the adjoining plant nursery for redevelopment and use as a plant nursery, Cafe and Leisure Gardens, and residential accommodation. However, the Council has not been able to agree commercial terms with the group. Although the option has been assessed for this report, the rental values used are those proposed by the Council to represent market rents, which the development promoters were unable to accept.
- 4.14 Four options were considered, and the results are set out below. Apart from the standard Do Nothing option, these include disposal of the building on the open market, sale of long leasehold to Sutton Living for conversion to two flats, and use of the building by the group including the plant nursery operator.
- 4.15 An extract from the summary page of the options appraisal is set out below.

	Option 1	Option 2	Option 3	Option 4
Description	Do Nothing	Disposal on open market	Let to Sutton Living	Let to Plant Nursery Operator
Weighted Average Total Score (Average Scenario)	20.50	74.94	76.00	65.40

- 4.16 There is very little in the overall assessment scores between Options 2 (open market disposal) and Option 3 (sale of long leasehold to Sutton Living). It is however considered that redevelopment into two residential units by Sutton Living on long leasehold is the better option. Due to the ownership structure of Seears Park, it is considered that disposal on the open market is likely to be less favoured by the Charity Commission. Redevelopment by Sutton Living also helps to directly contribute to a key Council housing priority.
- 4.17 It is necessary to demonstrate that acquisition of property from the Council by Sutton Living is at open market value in order to avoid the transaction being caught by State Aid rules. It is therefore proposed that the Council's open market valuation of the flat is referred to an independent chartered firm of valuers to confirm. This should also help inform discussions with the Charity



Commission that the Council is acting in the best interests of the Charity of John Seears in its capacity as sole Trustee.

**Grange Lodge, Beddington Park, Beddington**

- 4.18 Grange Lodge is a well located building behind the Grange Restaurant in Beddington Park. The building is in a sensitive location and being part of Beddington Park it would benefit from the substantial improvement works to the park being carried out by the Council.
- 4.19 With a lack of interest from the restaurant owners, three options were considered, the results of which are set out below. In addition to the Do Nothing option, these are disposal on the open market and grant of long leasehold for residential conversion by Sutton Living.
- 4.20 An extract from the summary page of the options appraisal is set out below.

	Option 1	Option 2	Option 3
Description	Do Nothing	Disposal on open market	Let to Sutton Living
Weighted Average Total Score (Average Scenario)	20.50	75.52	78.00

4.21 There is very little in the overall assessment scores between Options 2 (open market disposal) and Option 3 (sale of long leasehold to Sutton Living). It is however considered that redevelopment into two residential units by Sutton Living on a long leasehold is the better option as redevelopment by Sutton Living enables the Council to retain freehold interest in the property and directly contribute towards a key housing priority for the Council .

**5. Options Considered**

5.1 Details of the other options considered for the different sites are set out in the body of the report.

**6. Impacts and Implications**

Financial

6.1 **Culvers Lodge** -the recommended option for the lodge is to the lease the building to WVRPT and for part of the remaining site to be sold to a registered provider for the provision of residential units over which the Council will have nomination rights. The current lodge and site are within the Housing Revenue Account. The estimated capital receipt from the sale of the site is [1/para 6.1] and there will be on-going revenue savings on running costs of [2/para 6.1] per annum. The capital receipt will form new resources for the future capital programme. The estimated rental value for the lease of the building to WVRPT is [3/para 6.1] per annum with a rent free period over the first six years.

- 6.2 **Lindbergh Play Centre** - the recommended option for the play centre is for Limes College to use the building as a primary school age pupil referral unit. Under this option the Council defers a capital receipt through not selling the site, however there are estimated to be significant projected net revenue savings from placing children within this facility as opposed to out of the borough. Any savings will benefit the Dedicated Schools Grant (DSG) as opposed to the general fund since this grant funds the cost of these placements.
- 6.3 **Quarry Cottage** - the report recommends that Quarry Cottage is leased to Sutton Living for the provision of residential units. It is estimated that the Council will receive a sum of [4/para 6.3] for the sale of the leasehold on this property and there will be on-going revenue savings on running costs of £1k per annum. The capital receipt will form new resources for the future capital programme.
- 6.4 **Grange Lodge** - the proposal is for site to be leased to Sutton Living for the provision of residential units. Under this option the Council retains the freehold interest in the property. The estimate sum to be received under option 3 is to [5/para 6.4]. Again this will form new resources into the capital programme. There will also be on-going revenue savings on running costs of £7k per annum.

#### Legal

- 6.5 **Culvers Lodge (Building)**  
In order to ensure compliance with State Aid Regulations the lease conditions, including rent, should be at existing market terms. In the event of transfer at less than market rate, the Commission's approval should be sought. In the event of such transfer, the Council is advised to seek legal advice as exemptions from State Aid Regulations may be available based on the value of the amount of state aid. Appropriate Planning Consents should be sought by the lessee for change in use or alterations to building, if applicable.
- 6.6 **Culvers Lodge (Land)**  
Registered Provider for the development of land should be procured in accordance with the Public Contracts Regulations 2016.
- 6.7 **Lindbergh Play Centre, Wallington**  
The Council should consider imposing a restriction on the use of the site for the purpose listed within the report. The condition would ensure that the property continues to be available for use for stated purpose, in the event of an academy conversion.
- 6.8 **Quarry Cottage, Seears Park, Cheam**  
As a Trustee, the Council has to act in the best interest of the Charity of John Seears. Section 123 of the Local Government Act 1972 and the State Aid Regulations would not apply to this transaction as the land and building is owned by the Trust. Appropriate consents should be sought from the Charity Commission before entering into an agreement.
- 6.9 **Grange Lodge, Beddington Park, Beddington**  
In order to ensure compliance with State Aid Regulations the lease conditions, including rent, should be at existing market terms. In the event of transfer at less than market rate, the



Commission’s prior approval should be sought. In the event of such transfer, the Council is advised to seek legal advice as exemptions from State Aid Regulations may be available based on the value of the amount of state aid. Appropriate Planning Consents for change in use or alterations to building, if applicable, should be obtained by the lessee

Integrated Impact Assessment

6.10 The proposals for the future use of these buildings would increase the supply of residential accommodation available in the borough for letting. The proposals for Culvers Lodge will also make community facilities available to all members of the local community and would not disadvantage any group. The proposals for the Lindbergh Centre would provide facilities for a disadvantaged group with a preventative agenda that should improve the life chances of the children who go there.

**7. Appendices and Background Documents**

<b>Appendix letter</b>	<b>Title</b>
A	Site Plans: - Culvers Lodge, Hackbridge - Lindbergh Centre, Wallington - Quarry Cottage, Cheam - Grange Lodge, Beddington Park
B	Schedule of Exempt Items - Exempt on the basis of Paragraph 3, Schedule 12A of Local Government Act 1972

<b>Background documents</b>
Smarter Council: Buildings Utilisation Project- Strategy & Resources Committee, March 2013

<b>Audit Trail</b>		
Version	Final	Date: 18 October 2016
<b>Consultation with other officers</b>		
Finance	Yes	Lyndsey Gamble/Tony Cooke
Legal	Yes	Padma Srinivasan
Education	Yes	Colin Stewart/Kieran Holliday



Housing	Yes	Simon Latham
Integrated Impact Assessment required?	Yes	Completed

This page is intentionally left blank