

Cherwell District Council

Executive

5 February 2024

Sale of Bodicote House Site, White Post Road, Bodicote, OX15 4AA

Report of Corporate Director Resources

This report is public

Purpose of Report

Bodicote House site has been marketed for sale, to facilitate the Council moving to new offices. The report seeks delegated authority and approval to proceed with the Heads of Terms attached to the Exempt part of this report and enter negotiations for the sale contract.

Parts of this report contain commercially sensitive information relating to the financial and business affairs of the Council and others. That information is exempt from publication and included in the exempt version of this report.

1.0 Recommendations

Executive recommends:

- 1.1 To delegate authority to the Corporate Director of Resources in consultation with the Portfolio Holder for Property and the S151 Officer, to proceed with the Heads of Terms attached to the Exempt part and enter into negotiations for the sale contract with Lucy Developments Ltd.
- 1.2 To delegate authority to Assistant Director Law & Governance to enter into Heads of Terms.

2.0 Introduction

- 2.1 The Council, as freehold owner, occupies the site as its HQ offices. There has been a decision taken on 6 November 2023 by Executive to relocate the Council's main offices to Castle Quay Centre Banbury. The site is no longer considered fit for purpose, the existing accommodation being of the wrong size for today's and anticipated future needs and hybrid working practices and will continue to be a significant drain on resources with high occupational costs as it reaches the end of its useful life.
- 2.2 The site, shown in Appendix 1, comprises of circa 8.2 acres which includes 3 buildings, mature gardens, landscaping and car parking:

- Bodicote House – is a 3-storey office, including the Council Chamber annex, was purpose built in 1970s.
- Old Bodicote House is a Grade II Listed building with adjoining Stables and storage/workshop outbuildings.
- The Lodge gatehouse, again is a Grade II listed building, comprising a two-bedroom cottage, which is currently vacant.

2.2 The Site was valued at 31 March 2023, reflecting its current use, for asset valuation purposes.

The valuation report extract containing commercially sensitive information is in the Exempt part of this report.

2.3 The site is currently subject to two leases:

- Sanctuary Housing – expired 12 May 2023
- Oxfordshire County Council's Registry Office (OCC) - expired 3 October 2022

Sanctuary Housing have now served a notice to vacate under their lease. This leaves OCC holding over under the Landlord and Tenant Act 1954 and continuing to pay rent. They have been notified of the Council's intention to sell the site and the Council has engaged with them to assist with their potential relocation.

2.4 The site includes two Grade II listed buildings and abuts the Bodicote Conservation Area. It lies within the built-up limits of the village.

2.5 The Council's Planning department, confirmed that Bodicote is a category 'A' village in the Cherwell Local Plan 2011- 2031 which provides for minor development, infilling and conversions within built-up limits.

In assessing whether proposals constitute acceptable 'minor development' the Plan requires regard to be given to the following criteria:

- the size of the village and the level of service provision
- the site's context within the existing built environment
- whether it is in keeping with the character and form of the village
- its local landscape setting
- careful consideration of the appropriate scale of development

2.6 The advice provided, stated that the main considerations affecting the developable area are likely to be

- the setting of the Listed Buildings,
- the areas of strategic soft landscaping / biodiversity value at the site's periphery
- significant trees worthy of protection.
- there are potential further issues surrounding the sensitivity on the conversion of the historic buildings and to accommodate some new development within the grounds.

However, this is subject to the planning process and more detailed comments cannot be provided without sight of and being consulted upon, detailed proposed layouts.

- 2.7 The Adopted Local Plan policy would require 30% of the proposed housing to be affordable.
- 2.8 Knight Frank, the Council's appointed property agents, produced a marketing recommendation report in October 2020. This was updated in May 2023, and they were subsequently engaged to market the property for sale in Sept 2023 in accordance with their recommended marketing strategy. The freehold has been offered for sale, with vacant possession to be given, with best bids received on 2 October 2023.
- 2.9 At the same time a Topographical Survey and a Heritage Report were commissioned by the Council and provided to all potential bidders, together with all relevant property information.
- 2.10 In September 2023 some 83 development and land promotion companies were approached by Knight Frank. From this, 8 companies requested further information, viewed the site, and subsequently made bids during early September 2023, with best bids received on 2 October 2023.
- 2.11 Council costs committed to date are c£40,000 plus VAT to include agents' fees, EPC certificates, and survey costs.

3.0 Marketing Report Recommendation

- 3.1 Knight Frank's Summary Overview of all bids, containing commercially sensitive information is in the Exempt part of this report. In summary, eight potential purchasers considered making a bid for the site, however, only seven were received. A preferred shortlist of three bidders was selected after all bids were analysed. There is one overriding condition contained within all the bids which is that all the offers are subject to planning.
- 3.2 All bids are based on the demolition of the main Bodicote House, with the conversion of Old Bodicote House and Stables area, into apartments/houses. The Lodge is likely to remain in residential use, with the remaining site comprising of all new build housing units.
- 3.3 All the bids are subject to the planning process, with additional caveats and assumptions. This means a straight comparison is difficult to make at this stage. For example, each bidder makes different provision for affordable units.
- 3.4 All the bids are significantly higher than the current book value for existing use as advised by the Councils corporate asset valuers Montagu Evans.
- 3.5 Each bidder was given an alphabetic identifier and bids were scored against a matrix. Further details about the matrix are in the Exempt part of this report:
- Timescale for receipt of sale monies.
 - Value achievable. Density of housing units assumed, pending planning application.
 - Percentage of affordable units included
 - Track record of bidder and their deliverability of bid.

- Quality and detail provided in the submission.
- Financial status, ability to deliver the scheme and therefore pay the Council.
- Location of bidders' existing and previous schemes. Preference was given to locally based developers.

3.6 The 3 shortlisted preferred offers, excluding VAT if applicable, are summarised as follows. All shortlisted bids comply with minimum affordable housing requirements. Details are provided in the Exempt part of this report.

3.7 Analysis

Details are provided in the Exempt part of this report.

4.0 Market Appraisals and Valuation Advice

4.1 Under Section 123 of the Local Government Act 1972 the Council has a statutory duty to ensure that the sale price agreed for the site is the best consideration that can be reasonably obtained and that the transaction is not at an undervalue.

4.2 In order to satisfy our duty, the following marketing appraisals and advice have been received from Knight Frank:

This information is available in the Exempt part of this report.

4.3 This matter was previously considered by the Executive committee on the 6 November 2023, where the delegated authority was granted to the Corporate Director of Resources in consultation with the Portfolio Holder for Property and the S151 Officer, to proceed with the issuing of draft Heads of Terms to Company C (Lucy Developments Ltd).

5.0 HEADS OF TERMS

5.1 The main points of the Heads of Terms are as follows:

- A contract for the sale of Bodicote House will be entered into which will be conditional upon the Buyer (Lucy Developments Ltd) obtaining a satisfactory planning permission within a timescale set out in the contract. If a satisfactory planning permission is not achieved in the timescale, then completion of the sale will not proceed. This will mean that the Council will need to review the position and consider taking the site back to the market to achieve a sale.
- The initial timescale agreed is 24 months to obtain the planning permission running from exchange of contracts, which will be extended to 36 months under specific circumstances. This clause is usual in conditional contracts of this nature and is to allow the Buyer the time needed to deal with the planning process. Please note this may have an impact on other projects that may be dependent on this transaction.
- Details of the purchase price are in the Exempt part of this report.
- The Buyer will be obliged to progress the application for planning permission diligently and the Council (as landowner) will be under an obligation to use reasonable endeavours to assist the Buyer with their application.

- The Buyer and the Council will both agree the application for planning permission before it is submitted to the planning authority. The Buyer will be obliged to appeal a refusal or unacceptable condition on the planning permission within certain parameters.

6.0 Conclusion and Reasons for Recommendations

- 6.1 The offer from Company C (Lucy Developments Ltd) as the preferred bidder is recommended because;
- They have offered the best bid for the site, upon receiving planning permission.
 - The offer is considered to provide the best value, in that it meets the Councils affordable housing policy.
 - The proposal is considered to provide a better likelihood to achieve the highest density of units and obtaining planning permission for the proposed redevelopment.
 - Company C are a regional developer, with a proven track record.
 - Company C have confirmed the purchase and development can be funded from existing resources and without the need to borrow funds.
- 6.2 The Council meets its obligations under S123 of the LGA 1972 to sell land at the best price reasonably obtainable in the marketplace at the time and not at an undervalue. We have been advised that a “Red Book” valuation from a RICS qualified surveyor cannot be obtained due to the variables involved. However, the property has been widely marketed with marketing appraisals including valuation advice from Knight Frank, throughout the process who have confirmed that the offer from Company C (Lucy Developments Ltd) is the best obtainable.

7.0 Consultation

None

8.0 Alternative Options and Reasons for Rejection

- 8.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Do Nothing

- Not granting the delegated approval for the negotiation of the sale contracts via the Heads of Terms will mean a delay in the receipt of monies and create a funding issue for the relocation.
- Continued ownership of the property will
 - The property continues to be a significant cost to the Council.
 - There is substantial excess space which is not well utilised and difficult to sublet.
 - Surplus to requirement space will continue to need to be maintained for the duration of any occupation.
 - Significant capital costs are required to maintain the building.

This option is therefore not considered a viable alternative.

Option 2: Seek an alternative purchaser

- This will result in serious delay in the disposal and therefore the funding of the relocation
- The holding costs of the property as well as all of the points raise in Option (1) above.

9.0 Implications

Financial and Resource Implications

9.1 The Council has a duty to provide best value.

As each of the shortlisted bids meet the Council's minimum criteria it is important that it therefore ensures that the best price is achieved from the sale of the land.

A capital receipt from Company C is the largest bid and would ensure that the Council had sufficient resource to fund the business case for the move of the Council's head office accommodation to Castle Quay. The proposed sale will result in a significant net capital receipt to the Council, whilst at the same time meeting the Council's aims of 30% affordable housing, which helps to point to the conclusion that this bid provides the best value option to the Council.

9.2 It should be noted that there is also S106 funding factored into the Company C bid which means that there will be further resources coming back to the public sector.

Comments checked by:

Michael Furness, Assistant Director of Finance and S151,
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Legal Implications

9.3 It is noted at Paragraph 4.1 that the S123 statutory duty is being fulfilled, however there is no RICS red book valuation that can be obtained in respect of the development potential of the site. A RICS Red Book valuation is usually undertaken to obtain a formal opinion of value which can be relied on, prepared in accordance with the strict RICS valuation standards using specified valuation methods. The recommendations set out in this report are instead based on the bidding exercise detailed in the report. It should be noted that S106 contributions by a buyer cannot be taken into account when considering the s123 duty.

9.4 The agreement made between the Council and the Buyer will be a conditional contract which means the sale proceeding will be dependent on a satisfactory planning permission being obtained within tight timescales. Obtaining a satisfactory planning permission could take longer than expected therefore the timescales may not be met and/or the sale may not proceed to completion. The Council will need to have contingency plans in place in case this impacts on other related projects.

Comments checked by:

Shiraz Sheikh Monitoring Officer AD Law and Governance
Shiraz.Sheikh@cherwell-dc.gov.uk

Risk Implications

- 9.5 There are no significant risks arising directly from this report. Any strategic risks arising through the development of this project will be managed corporately and any local operational risks will be managed within the service area.

Comments checked by:

Celia Prado-Teeling, Performance Team Leader,
01295 221556, Celia.Prado-Teeling@Cherwell-DC.gov.uk

Equalities and Inclusion Implications

- 9.6 There are no equalities issues arising directly from this report, the proposal has been developed in line with the commitments established in our Equalities, Diversity and Inclusion Framework.

Comments checked by:

Celia Prado-Teeling, Performance Team Leader,
01295 221556, Celia.Prado-Teeling@Cherwell-DC.gov.uk

Sustainability Implications

- 9.7 There are no sustainability implications relating to the issuing of the Heads of Terms with the intention of entering into contract negotiations.

Comments checked by:

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10.0 Decision Information

Key Decision Yes

Financial Threshold Met: Yes

Community Impact Threshold Met: No

Wards Affected

Adderbury, Bloxham and Bodicote Ward

Links to Corporate Plan and Policy Framework

To provide offices that meet the needs of all staff both now and for the future in a sustainable and efficient way, taking into account hybrid working.

To obtain best value for any sale of assets.

Lead Councillor

Cllr Eddie Reeves, Portfolio Holder for Property

Document Information

Appendix number and title

- Appendix 1 – Freehold Title Number ON281356 plan

Background papers

None

Report Author and contact details

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