



Report for Cabinet

Date:	7 May 2024
Title:	Old County Offices Aylesbury – Proposed disposal and future re development
Cabinet Member(s):	Member for Accessible Housing and Resources
Contact officer:	Jo West – jo.west@buckinghamshire.gov.uk
Ward(s) affected:	Aylesbury North – Councillors T Dixon, R Khan, S Morgan
Recommendations:	Subject to receipt of a satisfactory Best Value Consideration Report as approved by the S151 Officer, to approve delegation to the Service Director of Property and Assets in consultation with the Cabinet Member for Accessible Housing to finalise terms and pursue disposal of the site to a residential developer pursuant to terms contained in the confidential appendices by granting a long leasehold to convert the building into flats in line with the current detailed planning permission (20/02431/APP). Subsequently to agree contracts, undertake required due diligence and exchange and complete on the transaction.
Reasons for recommendation:	The Old County Offices were vacated by the County Council in 2014. Since then, there have been a number of attempts to repurpose the building but there have been complications with asbestos. The Council obtained planning consent for a scheme to convert the Old County Offices in Aylesbury into housing under application number 20/02431/APP and which was approved on 10 th August 2021 and provides for a mix of 46 flats. Recent inflationary pressures have impacted viability on the intended in-house development scheme and therefore

Officers have undertaken an initial marketing exercise which realised no offers. However, a further round of marketing supported by a successful application for Brownfield Land Release Funding (BLRF) via the One Public Estate (OPE) programme, has attracted a private developer on terms set out in the Confidential Appendix.

The report recommends working collaboratively with the Developer to secure a legally binding contract that secures delivery of OCO which has been dormant for a number of years and contains protections for the Council in terms of delivery and potential capital receipt. The sale will see the development of a heritage asset in the town centre around a Planning consent secured by the Council. As set out in this report, OCO is a major regeneration project for Aylesbury Town Centre. The granted planning application expires in August 2024. The Council has received grant funding to facilitate the release of this site for housing. We have approached several private and affordable housing developers and only secured 1 offer for the site. This is considered in the Confidential Appendix.

As part of this transaction, the developer will be contractually prevented from carrying out any development that diverges from the current detailed planning permission and if the developer does not commence and complete the development within the agreed timescales, the Council will be able to step in to take back ownership of the site at nil cost. The contract will also provide for overage provisions for the Council as part of the negotiated contract.

This option is recommended rather than the alternative options, (i.e., to refurbish the offices for occupation by the Council or another commercial occupier or to comprehensively redevelop the site for a larger residential scheme) for the reasons set out in this report or to dispose subject to Planning.

1. Executive summary

- 1.1 There has been limited interest in the open market for a third party to take on the building due to viability issues. A developer has been identified who is prepared to work collaboratively with the Council to agree a contract with suitable safeguards for the Council to implement the consented planning permission to convert the building to 46 private apartments, the terms of the transaction are considered in the confidential appendices. A decision on whether to accept this offer is required. If the Council does not take this option, the building will continue to remain empty until the wider Aylesbury Town Centre regeneration schemes are enacted.

2. Content of report

Background:

- 2.1 Detailed planning permission has been granted to convert the currently unused Old County Offices building into 46 private flats - viability issues at the time planning was granted resulted in there being no requirement for affordable housing to be provided within the scheme. Viability has worsened since the granting of planning permission because of the softening in the housing market and inflationary pressures on construction and finance costs in particular, which have been widely reported. However, the Council has committed to bringing back into active use a building which has historical and architectural merit.
- 2.2 The Council has undertaken a development appraisal and cost plan assessment based on independent Quantity Surveyors and a Preliminary Cost Planning by a Contractor. The conclusion of that exercise is that it is not viable for the Council to bring forward the scheme without significant subsidy. The appraisal has been updated and is discussed in the Confidential Appendix.
- 2.3 In January and February 2023, a soft marketing exercise was undertaken to identify external developer appetite. Marketing would have commenced earlier but efforts were being made to refine designs to make the residential scheme viable. This demonstrated that there was very limited interest in the open market because of the development costs of implementing the consented planning scheme. The only interest (not confirmed by a firm offer) was for a subject to planning deal based on a new build scheme i.e., demolishing the existing building. This was not supported by the planning team who consider the building to be a “non-designated heritage asset and....a building of note”. However, the viability of a demolished and new scheme appraisal is considered in the Confidential Appendix.
- 2.4 An application was made via the One Public Estate Programme for Brownfield Land Release Funding (BLRF) to improve project viability. The application was successful resulting in a grant of £690,000 being awarded.

2.5 Since the Q1 2023 marketing exercise, a specialist developer has been identified through an agent that Officers are working with on another scheme. The developer is prepared to undertake the development in line with the consented planning permission based on the heads of terms contained in the confidential appendices. The terms will be refined and developed including suitable protection to ensure delivery of the redevelopment of this asset. The terms state a transfer of a long leasehold interest in the land subject to the consented scheme being brought forward.

2.6 Concurrently with the discussions for the residential development, an office scheme was also designed and costed for consideration. The costings for this are included in the Confidential Appendix but this is not the recommended option.

The residential option (recommended)

2.7 In January and February 2023, a soft marketing exercise was undertaken to ascertain external market interest in carrying out the conversion to 46 flats in line with the planning permission which was granted in August 2021, and which must be implemented by August 2024.

2.8 As part of the exercise, a panel of developers (8 from the Homes England DPS Framework and 8 companies who were known to The Agent/The Council and have worked on similar schemes to this) were asked:

- a) What would they offer for the site?
- b) Do they have any concerns or observations on the current planning consent?
- c) Would the availability of grant funding affect their decision to bid/not bid?

2.9 The report in summary concluded:

- a) There was no current market interest to carry out the consented scheme. The primary reason for this lack of interest in the residential conversion scheme was build cost inflation, anticipated falls in capital values during 2023/24, funding costs, and sales risk. The unknown risks that a building of this age could present was also an identified risk item. Whilst grant funding towards delivery of the consented scheme would naturally assist, the funding gap remained significant.
- b) Market feedback suggested that a revised planning consent for a refurbishment scheme would not necessarily resolve the issue, the inference being that only a demolition and rebuild option would be appealing to developers. Whilst the soft marketing exercise did identify some demand to

acquire the site on a subject to planning basis for a new build scheme, even this option only generated caveated and lukewarm interest along with a low site value.

- 2.10 When approached about demolition of the site, the Planning Team advised that the building is a non-designated heritage asset and a building of note. It was concluded that Planning Officers, and the Planning Committee may not support an application for the complete demolition of the building. This coincides with the general sentiment that the building should be restored and brought back to use and to retain it for its character as part of regeneration activity in the town centre.
- 2.11 In August 2023 the Council was advised of our successful application to OPE programme for BLRF for £690,000 to cover some of the preparatory capital works (asbestos removal, groundworks, demolition). The terms of the grant funding stipulate that the money should be committed by 31st March 2024, and we have been recently advised that release of the site via the proposed long-term lease would amount to being committed. This money is, however, only available if the building is converted to residential use. If the office option is pursued, this grant will need to be returned – it is currently held in the OPE reserve fund pending a decision on the building.
- 2.12 In June 2023, a specialist developer was found who was prepared to complete the development in line with the current planning permission. The terms of their offer include a transfer of a long leasehold interest on the terms set out in confidential appendix 1 and include availability of the BLRF award. The BLRF award will be spent by the Council prior to completion of contracts to comply with Subsidy Control regime. The works will be completed by the developer under contract to Buckinghamshire Council, but direct award of this contract will require a waiver under the Council's contract procedure rules.
- 2.13 The developer is prepared to start on site as soon as practically possible and to undertake qualifying works under the BLRF funding agreement on behalf of the Council. They have conditioned the offer that they must be able to implement the planning application before it expires i.e., achieve completion of contracts with sufficient time to engage contractors before August 2024.
- 2.14 It should be noted that within the Vale of Aylesbury Local Plan (VALP) Exchange Street and Waterside North car parks are highlighted as sites designated for long term regeneration, therefore any part of the scheme that encroaches on the adjacent carpark should be considered displacement rather than loss of spaces.
- 2.15 A “best value consideration report” will follow if this option is pursued. This will confirm that in the circumstances, despite the low value purchase price, this offer could be considered best reasonably obtained value.

3. Regeneration Strategy

- 3.1 The Aylesbury Regeneration Strategy was adopted in 2023 as part of the overall Regenerating Buckinghamshire Framework. That document outlines how regeneration will be spearheaded by creating vibrant and attractive town centres that celebrate Buckinghamshire's heritage and provide an attractive offer to residents, visitors and businesses alike.
- 3.2 A number of key sites and development opportunities were identified in the strategy including the former Old County Offices.
- 3.3 This project, along with other planned projects therefore represents a step forward in realising the Regeneration Strategy and builds on the successful regeneration project of the Exchange to create a lively new quarter to attract the growing Aylesbury population into the town centre.
- 3.4 The project will deliver against a number of the ambitions in the strategy including and will act as a key residential development in the town centre bringing increased footfall to the town centre to support both the day and night time economies.
- 3.5 Alongside this project the council will also be bringing forward another important site in the vicinity, the former Gala Bingo Hall. That project will provide an important link between the OCO site, the Exchange and the High Street and contribute to the vibrancy of the town centre.

4. Other options considered.

Sale of site:

- 4.1 Selling freehold/long leasehold interest of the building on an unconditional or conditional basis – an unconditional sale would allow a purchaser the opportunity to make a new application for planning, most likely based on the demolition of the existing building. This would potentially recognise a higher capital receipt (see Part 2 report for development appraisal and estimated land value). However, this option would limit our ability to have a say in the future of the site, is not guaranteed to gain planning approval and could see continued inactivity on this site leading to negative public opinion. There is also a risk that this option would not receive any bids in the market. This option would provide uncertain regeneration outcomes as it is unclear what the future of the site would be.
- 4.2 There is a high risk that the current interested developer would withdraw their offer if the property was formally marketed. It is likely that the current planning approval would expire leading to more time and expense to get it renewed. This option is therefore not recommended.

Office conversion:



- 4.3 The office scheme shown at appendix 1 has been costed and analysed. This figure includes professional fees and could reduce with further design and engineering knowledge mitigating some of the risk factors included in the initial costing. If the office conversion was to be pursued and funded through borrowing, there will be an interest charge which is discussed in the Confidential Appendix. As stated in the Council's Accommodation Strategy, this borrowing could be offset from the proceeds from other office disposals and savings on void costs on other buildings vacated as part of this relocation strategy, but timing and certainty of these receipts are not yet certain.
- 4.4 Whilst this option would free up the Walton Street Office site (formerly known as New County Offices) for redevelopment and would avoid the requirement to acquire/update alternative town centre space as part of the Work Smart strategy, the project requires significant capex.
- 4.5 Furthermore, the investment, value and occupational need for offices is significantly reduced post covid and as such there is limited demand for office accommodation from the open market, increasing the risk of a third party letting if the Council found it did not require all or some of the space in the future. It is therefore the recommendation of this report that an office refurbishment is not pursued.
- 4.6 Less extensive (and more economic) designs have been completed and costed for the office scheme; however, these do not offer enough desk and meeting room space for the current council requirement, so these alternative design proposals are not recommended either.

Self-development:

- 4.7 The Council develops the residential scheme – Appraisals discussed in the Confidential Appendix show a significant negative return on investment in the current market and there would be significant capital expenditure, this option is not recommended.

Do nothing now and await market improvement:

- 4.8 Mothball the building until the market improves – this is a high-risk strategy as there is no guarantee that the market will improve. The condition of the building will deteriorate the longer it is left un-used therefore the costs to recommission it will be higher. The BLRF funding could also be lost. This option negatively impacts regeneration plans for Aylesbury Town Centre and the desire to deliver this project in the first phase of activity. This option is not recommended.

5. Legal and financial implications

5.1 Legal

- 5.2 Local authorities are given powers under the Local Government Act 1972 to dispose of land in any manner they wish. The main constraint is that the disposal must be for the best consideration reasonably obtainable pursuant to section 123(1) of the Local Government Act 1972.
- 5.3 It is recognised that there may be circumstances where an authority considers it appropriate to dispose of land at an undervalue. Section 128(1) of the 1972 Act confers on the Secretary of State power to grant a general Consent for the purposes of land disposals in certain circumstances. The terms of the consent mean that specific consent is not required for the disposal of any interest in land which the authority considers will help to secure the promotion or improvement of the economic, social or environmental well-being of its area. Authorities can also rely on the well-being criteria when considering disposals at less than best consideration.
- 5.4 Additionally, the difference between the unrestricted value of the land to be disposed of and the consideration of the disposal does not exceed £2,000,000. The “best value consideration report” will confirm this.
- 5.5 A copy of the current Heads of Terms is included at confidential appendix 1 and will be further developed if permission to dispose of the site is agreed.
- 5.6 The developers offer includes the requirement for the BLRF funding to form part of the deal. A transfer by BC to the developer of the BLRF grant is likely to amount to a subsidy for the purposes of the Subsidy Control regime. Instead, BC should enter into a "works" contract for the carrying out of the preparatory capital works. The direct award of such a contract will require a waiver under BC's contract procedure rules but should be below the applicable financial threshold under the Procurement Regulations.
- 5.7 **Financial**
- 5.8 This option will cost the Council £1.137m due to the need to write off costs the Council has spent to date on the developing the site. This will be managed within the capital reserves. For the full financial implications, please see the Confidential Appendix.
- 5.9 Covenant status of the developer and source of funding for the delivery of the scheme will require finance sign off.
- 5.10 A “best value consideration report” can be obtained with three-weeks' notice. This would be prepared by an independent valuer and will form confidential appendix 2 if the recommendation is followed and the paper proceeds to Cabinet. The valuation advice will be prepared in accordance with S123 Local Government Act 1972 provisions and will confirm that the offer detailed in the appendices can be relied upon provide best value for the site in the circumstances.
- 5.11

5. Director of Legal & Democratic Services comment

5.1 The Director has read and approved the report.

5b Section 151 Officer comment

5.2 The S151 has read and noted the report.

6. Corporate implications

6.1 Regeneration – both the office and residential options support the regeneration of this building as a key heritage asset and support wider regeneration of the town centre as set out in the Aylesbury Regeneration Strategy; the residential option maintains potential for the Council office to be built in Friars Square.

6.2 Climate change – any option (other than do nothing) would have a positive effect on improving the efficiency of the current building.

6.3 Property – these options would bring an used building back into use.

6.4 HR – None

6.5 Finance/Value for money – As detailed above.

6.6 Equality – any refurbishment would be completed in line with current building regulation requirements to make it accessible.

6.7 Health and Safety – the building is deteriorating so bringing it back into use will solve the current H&S risks.

7. Local councillors & community boards consultation & views

7.1 The Cabinet Member for Accessible Housing & Resources is supportive of the proposal.

7.2 Local Councillors were consulted on the proposal in April 2024 but have offered no comments.

8. Communication, engagement & further consultation

8.1 Public consultation was undertaken as part of the planning application for the residential option.

8.2 Advice will be taken on the necessity for consultation if the office option is deemed a potential way forward.

8.3 Communication implications - TBC.

8. Next steps and review

- 8.1 Finalise negotiations with the developer, but they will not proceed if we must return the grant funding or if the planning consent runs out. Discussions with the planning team on work required to trigger the consent will be conducted early on if this is the preferred option.

9. Background papers

- 9.1 None

10. Your questions and views (for key decisions)

- 10.1 If you have any questions about the matters contained in this report, please contact the author of this report. If you have any views that you would like the cabinet member to consider, please inform the democratic services team by 2 May 2024. This can be done by email to democracy@buckinghamshire.gov.uk.