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| Council name | COTSWOLD DISTRICT COUNCIL |
| Name and date of Committee | CABINET - 6 DECEMBER 2021 |
| Report Number | AGENDA ITEM 14 |
| Subject | OPTIONS APPRAISAL FOR THE COTSWOLD CLUB |
| Wards affected | Watermoor |
| Accountable member | Councillor Mike Every – Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk |
| Accountable officer | Claire Locke Group Manager Email: claire.locke@publicagroup.uk |
| Summary/Purpose | To consider options and agree the future use or disposal of the Cotswold Club, Cirencester. |
| Annexes | Annex A – Ownership Plan |
| Recommendation(s) | <p><i>That Cabinet agree that:</i></p> <ul style="list-style-type: none"> <i>a) The Cotswold Club be marketed for disposal in existing condition as set out within the report; and</i> <i>b) Capital receipts from the sale be earmarked for investment in carbon zero affordable housing developments on other sites in the District.</i> <i>c) The Deputy Chief Executive in consultation with the Monitoring Officer and Deputy Leader and Cabinet Member for Finance have delegated authority to agree the final terms for the disposal of the property.</i> |
| Corporate priorities | <ul style="list-style-type: none"> ● Delivering our services to the highest standards ● Responding to the challenges presented by the climate crisis ● Providing good quality social rented homes |
| Key Decision | YES |
| Exempt | NO |
| Consultees/ Consultation | Business Manager – Operational Support and Enabling |



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| | <p>Economic Development Manager</p> <p>Forward Planning Manager</p> <p>Head of Climate Action</p> <p>Group Finance Director – Publica Group Ltd</p> <p>Portfolio Holders and Local Management Team</p> |
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1. BACKGROUND

- 1.1** The Council owns the freehold of The Cotswold Club, edged red on the plan at Annex A (“the property”). The property is a former pub and is Grade II listed. The Council purchased the property in 1978 to be the Social Club for Cotswold District Council employees.
- 1.2** The property was occupied by the Trustees of the Cotswold Club under a Lease arrangement until the Trustees surrendered the Lease back to the Council on 30th September 2020 following approval by Cabinet at its meeting on 7th September 2020. The property is now vacant.
- 1.3** Any future use of the property will require significant refurbishment internally and external repairs. Any works to remodel the property would require Listed Building Consent which would require notification of the application to the Historic England Commission. While the Council owns the property, if any objections are received to the Listed Building Consent application, the application would need to be determined by the Secretary of State. Change of use is likely to require planning permission as the current use is a ‘Private members Club’ being outside the planning use classes and therefore treated as an individual unique case.
- 1.4** Consideration has been given to the options for reducing the carbon footprint of the property in its future use. A consultant was engaged to assess likely costs and carbon reduction that could be achieved.
- 1.5** Due to the location of the property any planning application, including change of use, would require a flood risk assessment.

2. OPTIONS CONSIDERED

- 2.1** Officers have carried out a review of the property and obtained a Valuation Appraisal Report from consultants, Carter Jonas, to consider options for the future use of the property. All options, with the exception of open market sale, would need to consider flood risk mitigation works.
- 2.2** The property has a number of constraints that mean it will be difficult and expensive to convert:
 - The property is Grade II listed which may limit development or improvements that will be permitted and will increase costs (due to materials/construction methods required).
 - The property is relatively small and much of its footprint comprises of single storey extensions
 - The property is in Flood Zone 3 and has experienced internal flooding during recent years.
 - The retrofit of carbon reduction methods is proportionately more expensive than fitting technologies in new build developments.

- The above constraints mean that conversion and repair to create housing will be expensive and would require a substantial subsidy from the Council, with no realistic opportunity to achieve a return on that investment.

2.3 The Council has considered options with a focus on utilising this asset to deliver against its affordable housing and carbon reduction priorities. P3, a homeless charity, was initially interested in acquiring and converting the property. However there is limited government subsidy available to facilitate this and the Council funding required does not provide sufficient value for money to the Council. The Council also discussed the viability of conversion for affordable housing with Bromford Housing Association, as part of the Council's affordable housing Joint Venture. The view of Bromford Housing Association was that the nature and design of the property mean conversion is not cost effective and the sale of the asset and reinvestment into more viable affordable housing schemes would provide better value for money.

2.4 The Economic Development Manager has been consulted but no suitable alternatives are considered viable which would meet the Council's priorities or the Council's Recovery and Investment Strategy. Some commercial interest in purchasing the property has however been highlighted from a local business.

2.5 All options and costs are based on high level appraisals and all development options for the site will require a second stage feasibility report to assess, in more detail, the implications and costs of the option. If any option to provide social housing is to be progressed further there will need to be further dialogue with P3 or Bromford Housing Association to agree the terms under which they would acquire the property and the detail of the significant funding contribution the Council would need to make to facilitate this.

2.6 Retention and repurposing for a community use has been considered and discounted, as no viable use has been identified. The consultant's opinion of a rent for a community use is £7,383 per annum but this is subject to interest and requirements. Capital value of the property on this basis is £82,000. This places this option as less financially viable than the shortlisted options presented in this report.

2.7 The options considered are:

Option 1 – conversion for homelessness use

Option 2 - conversion for social rented accommodation

Option 3 - conversion to provide open market residential units

(a) 6 x 1 bed units for sale on the open market

(b) 1 x 1 bed and 3 x 2 bed units for sale on the open market



(c) 1 x 1 bed and 3 x 2 bed units for lease on the open market

Option 4 – Open Market Sale

3. HOUSING PRIORITIES AND SERVICE NEEDS

Option 1 - Homelessness accommodation

- 3.1** There is currently adequate provision for short term 'emergency' homeless accommodation in the South Cotswolds area with units available at Spring House (a Bromford property) and The Croft (a Council property) in Cirencester and the recently acquired leasehold property in Tetbury.
- 3.2** There is a need however for longer term accommodation for tenants with more complex needs, who can move out from temporary homeless accommodation but will need ongoing support before they are ready to take an independent tenancy. In general Housing Associations will not house these individuals in their accommodation without support or without demonstrating that they can manage a tenancy, usually achieved after a period of time in supported accommodation. The Council cannot currently allow them to remain long term in homeless accommodation as this will limit the turnover of units for the short term and emergency homeless requirements and could lead to secure tenancies and rights.
- 3.3** The Cotswold Club could provide small self-contained flats, for homeless persons requiring ongoing support. The Council contacted P3, a homelessness charity, to determine whether they would be interested in converting the Cotswold Club for this purpose. Unfortunately P3 currently only has access to very limited grant funding and the Council has estimated that there would be a capital funding gap of approximately £724,000 and an ongoing revenue deficit of £4,800 each year. If the Council wished to enable this homeless provision it would therefore need to provide the capital and revenue funding unless alternative grant funding becomes available.

Option 2 - Social rented homes

- 3.4** The Housing Needs Survey identifies that there is a need for small one bedroom units in this locality and it may be feasible to deliver between 3 - 6 units on this site.
- 3.5** The Council undertook a procurement earlier in 2021 to select a Registered Provider with whom they could enter into a formal partnership through a Joint Venture to accelerate the delivery of carbon zero affordable homes. Bromford Housing Association was subsequently appointed in July. Bromford was asked to consider whether the Cotswold Club could be converted for affordable homes. Their view was that the size, layout and Listed nature of the property mean conversion for this use would be difficult and disproportionately costly and that more affordable housing could be delivered for the equivalent level of investment at other sites.



Option 3 - Provision of market homes

- 3.6** There is a shortage of smaller units on the open market and therefore the Council could convert the property and then either sell or lease the apartments created.
- 3.7** The Council cannot let these units directly if they wish to protect these properties as a long term investment as the tenancies would be secure tenancies and the tenants would acquire the right to buy at a significantly reduced rate over time. The Council has some protection for the first 15 years as the tenant cannot purchase at a lower rate than the 'cost floor basis' which seeks to protect the cost of the refurbishment incurred in providing the units. At the end of the 15 years this would no longer apply.
- 3.8** Should the Council wish to protect these assets as tenancies, the properties would need to transfer to a housing company or be leased on a long-term lease.

Option 4 - Disposal

- 3.9** The Council could sell the property as existing or seek to obtain change of use to residential prior to its disposal. Planning Officers have provided informal advice confirming that an application would require the following accompanying reports:
- As it is in Flood Zone 2 and 3, a flood risk assessment would be required to be submitted;
 - Design and Access Statement;
 - Heritage/historic environmental statement;
 - The existing and proposed drawings – floorplans and elevations;
 - Site location plan and the existing and proposed block plans.
- 3.10** This would require appointment of external consultants to carry out this work for the planning application preparation. It is estimated that £30,000 funding would need to be allocated if this option is to be progressed to seek to obtain planning permission and Listed Building consent prior to disposal. There is a risk that having obtained this consent, a future purchaser may wish to develop the property for other uses i.e. commercial and therefore the permission does not increase the value and the Council's £30,000 investment is not returned.
- 3.11** An alternative to the Council seeking this planning permission would be for an open market sale to be pursued inviting offers for the property on both a conditional and unconditional basis. The conditional offers would be invited on the basis that the Council enter into a conditional contract whereby the other party agrees to submit a planning application for their proposed use and that on approval the purchase is completed. This would lead to the Council retaining the property for a longer period. However, it would protect the future use of the property rather than it remaining vacant and becoming derelict.



3.12 A decision on the type of sale would not have to be agreed at this stage and the final decision could be taken following review of the offers for the site and the risks attached.

3.13 Further consideration could be given to the benefit of restrictive and/or positive covenants being included in any contract for sale to protect the on-going use of the property. However, these would have a negative impact on the sale price.

4. CONCLUSIONS

4.1 Whilst there are a number of options open to the Council, the condition, design and layout of this property means conversion for affordable housing is not cost effective and greater benefit will be achieved if the property is sold and the capital receipts ringfenced to carbon zero affordable housing delivery on an alternative site.

4.2 Whilst the Council could try and impose requirements for this property to be made carbon neutral (or as close to this as possible) when it is sold this would substantially devalue the property and may prevent its sale.

5. FINANCIAL IMPLICATIONS

5.1 The capital and revenue implications of each of the options are set out in the table below:

| Option | Capital cost of refurbishment & conversion | Capital cost of Carbon reduction measures | Capital receipt from sale | Total net capital cost /(receipt) | Annual net income profit/ (deficit) |
|-------------------------------------|---|--|----------------------------------|--|--|
| 1. Homeless accommodation | £638,000 | £86,000 | £0 | £724,000 | £4,798 |
| 2. Social rented (6 x 1 Bed) | £625,000 | £86,000 | £0 | £711,000 | £14,250 |
| 3a. Market homes - sell (6 x 1 bed) | £645,000 | £86,000 | £750,000 | (£19,000) | £0 |
| 3b. Market homes - sell | £510,000 | £86,000 | £819,000 | (£223,000) | £0 |



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|---|----------|---------|-----------------------|-----------------------|--------|
| 1 x 1 bedroom and 3 x 2 bedroom apartment | | | | | |
| 3c. Market homes retain & lease | £700,000 | £86,000 | £0 | £786,000 | £8,306 |
| 4. Open market disposal | £0 | £0 | (£134,000 - £470,000) | (£134,000 - £470,000) | £0 |

Note that where grant funding is available this has been deducted from the capital sums shown here.

5.2 Social rented homes include the costs associated with management, maintenance, void periods etc., with the properties leased to a Housing Association.

5.3 Based on the high level cost appraisal above, the financial risks associated with the conversion of a Listed property and the opportunity to release capital for reinvestment in carbon zero affordable homes on other sites in the District, the recommendation is made for open market disposal.

Open Market Disposal

- Capital receipt - approx. income £134,000 - £470,000
- less legal/sale costs at approx 2.5 % on capital receipt and advertising costs in the region of £1,000.
- If the Council wishes to, it could deduct the cost of appropriate carbon reducing technology (circa £86,000) from the sale price and require that the purchaser install suitable measures. However as noted above this would be very difficult to enforce.

5.4 The Council could ring-fence the capital receipt for zero carbon affordable housing provision on other sites in the District. This would provide a greater return on investment and generate more affordable housing for the equivalent investment.

6. LEGAL IMPLICATIONS

6.1 Where legislation gives a public authority discretion to make decisions, e.g., to dispose of land, the public authority must allow itself to consider each decision on its own merits; the public authority must not 'fetter' its discretion by applying a rigid or one-size-fits-all policy to all decisions without considering the specific facts of each case. A decision that is made by a public authority that has fettered its discretion in this way may be challenged on the grounds



that the decision is unlawful. It may also be challenged on the grounds that the procedure by which it was made was unfair, or on the grounds that it is unreasonable.

6.2 Save from the above there are no legal implications arising from this report.

7. RISK ASSESSMENT

7.1 There is a risk that the property may not sell quickly. Therefore the Council would retain the cost of ownership in the short term at an estimated £5,000 - £10,000 per annum.

8. EQUALITIES IMPACT

8.1 Not applicable to this decision.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

Carbon reduction measures

9.1 As part of any scheme to retain, improve and convert the property the Council could require carbon reduction measures. A consultant was commissioned to examine the feasibility and cost of measures that could be retrofitted at this property. The report sets out that insulation to walls, floors and roofs, double and secondary glazing, replacement external doors and an Air Source Heat Pump could provide an annual reduction of 8.88 carbon tonnes (87%) at a cost of £86,043. The payback period for this investment would be an estimated 61.44 years.

9.2 This assessment is at a high level and would alter according to the future use of the building i.e. use as a single dwelling or conversion to six self-contained dwellings etc.

Carbon reduction requirements as terms of Sale

9.3 At its meeting in September 2019 a Motion was presented to Council with the following commitment made:

"Starting immediately, ensuring that all new CDC public buildings will be carbon neutral throughout their entire lifespan, with Gloucestershire-based carbon offsetting to capture any technically unavoidable performance gap)....

Legally bind developers, or work with procured developers, to ensure that all residential and commercial developments on CDC disposed land are carbon neutral throughout their entire life-span with developers funding Gloucestershire-based carbon offsetting to capture any technically unavoidable performance gap)."



- 9.4** If the decision is made to sell the property there is a risk that any requirement placed on the purchaser to achieve carbon neutrality will substantially devalue the land or prevent disposal. The Council could reduce the value of the land by the equivalent value of carbon reducing measures it would like to see achieved. However, this means the Council will be selling at undervalue and will be reducing the capital receipt it receives to invest in affordable homes elsewhere.
- 9.5** Under Section 123 the Local Government Act 1972 the Council must seek, for all disposals, to achieve the best consideration that can reasonably be obtained for the type of property and the agreed terms. However, where appropriate the Council can consider non-financial benefits as part of the consideration for a disposal. The Council can sell at an under-value without the requirement for approval from the Secretary of State in line with certain circumstances including the promotion or improvement of environmental wellbeing but a strong case needs to be set out to do this.
- 9.6** It may also be difficult to impose and enforce any requirement on a private buyer to undertake carbon reducing measures to the value of the discount applied. It would not make financial sense to carry out the carbon reduction works in advance of the sale as the appropriate works will be dependent on future use and some should be carried out after building repairs. It is therefore considered extremely difficult to impose these requirements on a market sale.
- 9.7** It is therefore recommended that the Council focuses on requiring new developments on land it owns or controls to be carbon neutral and that it seeks to achieve significant carbon reduction on any conversion of properties (where carbon neutrality cannot be achieved by retrofit) but does not try to impose carbon neutrality terms as a blanket approach on disposals.

10. ALTERNATIVE OPTIONS

- 10.1** The Council could decide to select a different option as set out above or to retain the property but not carry out any conversion, lease or sale. However, this will result in ongoing holding costs which will increase as the property deteriorates further.

11. BACKGROUND PAPERS

- 11.1** None

(END)

