

**PERTH AND KINROSS COUNCIL
COMMON GOOD COMMITTEE**

19 OCTOBER 2020

DISPOSAL OF FORMER COUNCIL OFFICES AT 1-5 HIGH STREET, PERTH

Report by Head of Planning and Development (Report No. 20/187)

The purpose of this report is to seek approval from the Perth Common Good Committee to dispose of the former Council offices at 1-5 High Street, Perth for redevelopment as a boutique hotel, following the Council's decision on 30th July to appoint a preferred bidder to acquire the property for this purpose. Subject to approval by the Perth Common Good Committee, a petition will be lodged in Perth Sheriff Court seeking the required further authority for disposal of Common Good assets.

1. BACKGROUND

- 1.1 At a meeting of the Council on 30th July 2020, the Council confirmed the preferred bidder for the acquisition of the former Council offices at 1-5 High Street, Perth for redevelopment as a boutique hotel. This decision was subject to the approval of the Perth Common Good Committee (PCG) in relation to those parts of the building deemed common good property.
- 1.2 The parts of the building to which the approval of this Committee relates are the former District Court and Council Chamber. It is intended that, in so far as practicable, these rooms should remain accessible to the public in the future. This will require to be considered as part of any proposed design scheme.
- 1.3 At the meeting on 30 July 2020 the Council considered the full background to the property, including the architectural and historic importance of the building and noted that significant historic building/conservation deficit funding will be required to restore the building fabric. There is in principle support from Historic Environment Scotland for this redevelopment.
- 1.4 The overall property condition is reasonable but the building fabric is slowly deteriorating and will incur significant expenditure at some future point. Current operational and maintenance costs are met from the General Fund and there is no income to, or expenditure incurred by, the Perth Common Good Fund.
- 1.5 The recommendation in this report is for the disposal of the property, part of which is deemed to form part of the Perth Common Good Fund. It will accordingly be necessary to petition Perth Sheriff Court for authority to proceed with this proposal.

2. PROPOSALS FOR DISPOSAL

- 2.1 The confirmed preferred bidder will, prior to any disposal (whether by sale or long lease) require to provide to the Council a full feasibility and cost plan based on detailed Planning proposals and Listed Building and Building Warrant requirements. This will also include an assessment of the heritage aspects of the building fabric requiring repair, and a case for grant funding.
- 2.2 Should the Council agree to sell the property, the heritable title would only transfer after the granting of statutory consents and significant completion of the development, not at the outset. Although the preferred bidder's proposal is for outright ownership in order to satisfy its lenders, the Council is entitled to seek a long lease (normally 125 years) if it so chooses. A long lease would allow the asset to revert to the Council in the event of lease default, albeit legally this could only be in extreme circumstances. The Council will have an opportunity to consider how it wishes to dispose of the building prior to agreeing the Heads of Terms.
- 2.3 The Registrar function will relocate to the main council building at 2 High Street with the Civic Lounge and Civic Hall being made available for wedding ceremonies. There are no staffing implications as a result of this proposal.

Economic Impact

- 2.4 Some initial indication of the economic impact of the hotel project can be shared at this early stage. On the basis of specialist external advice obtained, the following assumptions are considered reasonable for a scheme of this size/cost:
- 71 full time equivalent (FTE) net additional jobs in Perth (direct and indirect) with 55 FTE jobs in the hotel itself
 - 122 FTE construction jobs (including in the supply chain) locally
 - £1.12 million per annum of direct expenditure into the Perth economy
 - £1 million per annum net additional Gross Value Added (GVA) to the Scottish economy.

3. BEST VALUE, DISPOSAL OF LAND & COMMUNITY EMPOWERMENT

- 3.1 The Council is required to fulfil its statutory duties under Best Value as set out in Section 1 of the Local Government in Scotland Act 2003. Relevant aspects of this duty include:
- Making best use of public resources, including land and property.
 - Being open and transparent in transactions.
 - Ensuring sound financial controls are in place to minimise the risk of fraud and error.
 - Assessing the full financial consequences of decisions at an appropriate level before major financial decisions are taken or commitments entered.
 - Demonstrating responsiveness to the needs of communities, citizens, customers and other stakeholders, where relevant.

- 3.2 The Council is also required to comply with Section 74 of the Local Government (Scotland) Act 1973 and the Disposal of Land by Local Authorities (Scotland) Regulations 2010 as they relate to the duty to obtain best reasonable consideration when disposing of land and buildings. The Council is also required to comply with the requirements set out in Section 104 of the Community Empowerment (Scotland) Act 2015 to have regard to the results of the statutory consultation exercise undertaken before making the decision on the disposal and re-use of Common Good assets
- 3.3 The disposal of 1-5 High Street to the preferred bidder, or their nominees, following a competitive marketing and sale process complies with the Council's requirement to fulfil its statutory duties in respect of Best Value and Best Consideration and also complies with the Council's Disposal of Land and Buildings policy.
- 3.4 In approving the completion of the marketing exercise the Perth Common Good Committee (report 19/373) also instructed officers to commence statutory consultation. A consultation exercise was undertaken in the form of an on-line Community Consultation Hub survey seeking opinion to the proposed disposal. Public notices were displayed on the building encouraging email contributions to the proposed disposal. The responses received through these processes were largely positive with 63% of respondents welcoming the potential re-use and redevelopment of 1-5 High Street for a hotel to attract visitors to the city centre, bring the historic building back into use and make it more accessible to the public.
- 3.5 A summary of the on-line responses (provided in Appendix 2 of report 20/018) on balance was a positive response from the local community. 37% of respondents expressed views that more hotels in Perth are not necessary with some concern expressed about the increase in short term lets marketed through Airbnb etc, and the need for more affordable housing.
- 3.6 The consultation process has informed the recommendation on the disposal in accordance with the Council's Community Empowerment and Common Good obligations. The decision taken by the Council (and any subsequent Common Good Committee) will be notified to the local Community Councils and those who made representations through the consultation process.

4. CONCLUSION AND RECOMMENDATION

- 4.1 Private property developers have been very reluctant to invest in many places in Scotland outwith Edinburgh and Glasgow. As such, it is encouraging that Perth has attracted an investor of the calibre of the preferred bidder, which has indicated it remains committed notwithstanding the immediate impact of Covid-19 on the tourism industry. An upscale boutique hotel will complement the existing accommodation offer, further support the evening economy and boost Perth and Kinross's attractiveness as both an urban and a rural visitor destination.

4.2 It is recommended the Common Good Committee:

- (i) Approves the disposal of those parts of the property within 1-5 High Street deemed to be common good and asks the Head of Legal Services to proceed with the necessary court application.

Author

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Approved

Name	Designation	Date
Karen Donaldson	Interim Chief Operating Officer (Corporate & Democratic Services)	9 October 2020

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	YES
Corporate Plan	YES
Resource Implications	
Financial	YES
Workforce	NONE
Asset Management (land, property, IST)	YES
Assessments	
Equality Impact Assessment	YES
Strategic Environmental Assessment	YES
Sustainability (community, economic, environmental)	NONE
Legal and Governance	YES
Risk	NONE
Consultation	
Internal	YES
External	YES
Communication	
Communications Plan	NONE

1. Strategic Implications

Community Plan/ Single Outcome Agreement

1.1 The Perth and Kinross Community Planning Partnership (CPP) brings together organisations to plan and deliver services for the people of Perth and Kinross. Together the CPP has developed the Perth and Kinross Community Plan which outlines the key things we think are important for Perth and Kinross: -

- (i) Giving every child the best start in life
- (ii) Developing educated, responsible and informed citizens
- (iii) Promoting a prosperous, inclusive and sustainable economy
- (iv) Supporting people to lead independent, healthy and active lives
- (v) Creating a safe and sustainable place for the future

1.2 It is considered that the actions contained within this report contribute to objectives (iii) and (V).

Corporate Plan

1.3 The Council's Corporate Plan outlines the same five Objectives as those detailed above in the Community Plan. These objectives provide a clear strategic direction, inform decisions at a corporate and service level and shape resource allocation. It is considered that the actions contained in the report contribute to objectives (iii) and (v) outlined in paragraph 1.1 above.

2. Resource Implications

Financial

- 2.1 The Head of Finance has been consulted prior to submitting this report and agrees the proposal as presented delivers best value and will generate a sustained saving to the Council.

Capital

- 2.2 The Council will utilise borrowing to make available grant assistance to accommodate the redevelopment of the heritage assets at 1-5 High Street. Therefore there is no impact on the Capital Programme.

Revenue

- 2.3 The reduction in Council revenue costs for the on-going maintenance will be used to offset the borrowing costs for the grant funding to support the re-development.

Workforce

- 2.4 There are no workforce implications arising from this report . The Council's Corporate Asset Management and Premises Management teams are managing the relocation of Registrar Service staff.

Asset Management (land, property, IT)

- 2.5 The proposed disposal will achieve the key Asset Management objective of disposing of a surplus operational property and reducing the Council's future revenue liability in respect of this property.

3. Assessments

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 This section should reflect that the proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its

proposals. There are positive environmental consequences of this proposal as it re-uses a redundant building.

Legal and Governance

- 3.4 The Head of Legal and Governance has been consulted on the issues contained in this report and confirms it meets the Councils statutory duties in respect of land and property disposal, Best value and community engagement.

4. Consultation

Internal

- 4.1 The Head of Legal and Governance and the Head of Finance have been consulted on the contents of this report.

External

- 4.2 External property agents Avison Young marketed the property through the established process for commercial property disposal, setting a closing date on 17 January 2020 and the community consultation process was undertaken in accordance with the Corporate consultation hub guidance.

2. BACKGROUND PAPERS

- 2.1 No background papers as defined by section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

Appendix 1 – 1-5 High Street, Perth – Location Plan

Appendix 2 – 1-5 High Street – Consultation Summary Report