

For General Release

DELEGATED DECISION REPORT TO :	Cllr Callton Young, Cabinet Member for Resources and Financial Governance
SUBJECT:	Property Disposals as part of the Interim Asset Disposal Strategy
LEAD OFFICER:	Richard Ennis, Interim Corporate Director Resources and S151 Officer
CABINET MEMBER:	Cllr Stuart King Deputy Leader and Cabinet Member for Croydon Renewal Cllr Callton Young Cabinet Member for Resources and Financial Governance
WARDS:	Various
<p>CORPORATE PRIORITY</p> <p>Croydon Renewal Plan – the recommendations in this report are in line with the new corporate priorities and new way for renewing Croydon Medium Term Financial Strategy</p>	
<p>FINANCIAL IMPACT</p> <p>This paper is seeking approval for the disposal of three Council assets in line with the Interim Asset Disposal Strategy. The proposal will deliver significant capital receipts. The disposals are part of the wider disposal strategy and will significantly contribute towards the assets disposal target in the MTFS.</p> <p>All disposal costs, including a contribution towards officer time will be paid for out of capital receipts in line with the current financial guidelines which allow up to 4% of the capital receipt to be allocated against reasonable revenue costs in achieving the sales.</p>	
<p>FORWARD PLAN KEY DECISION REFERENCE NO.: Glazier House (2521 RFG), TAVR Centre (2721 RFG) and Drayton Road (3021 RFG)</p> <p>The notice of the decision will specify that the decision may not be implemented until after 13.00 hours on the 6th working day following the day on which the decision was taken unless referred to the Scrutiny and Overview Committee.</p>	
<p>The Leader of the Council has delegated to the Cabinet Member for Resources and Financial Governance the power to make the decisions set out in the recommendations below</p> <p>1. RECOMMENDATIONS</p> <p>Cabinet Member for Resources and Financial Governance in consultation with the Leader agrees the following:</p> <p>1.1 Approve the freehold disposal of Glazier House, 53 Birdhurst Road, South Croydon CR2 7EF</p>	

- 1.2 Approve the freehold disposal of the former Territorial Army Volunteer Reserve (TAVR) building Monks Hill
- 1.3 Approve the freehold disposal of the former Social Club at Drayton Road, Croydon
- 1.4 Approval to a downward price variation of up to a maximum of 10% for each disposal without having to refer the matter back to Cabinet to allow for some minor value changes during the disposal process as further due diligence is undertaken. Any variation in price would be subject to approval of the Interim Corporate Director Resources and s151 Officer

On the basis of the terms set out in Part A and Part B of this report

2. EXECUTIVE SUMMARY

- 2.1 This Interim Disposal Strategy has been developed to support the requirements of the Croydon Renewal Plan and Medium Term Financial Strategy [MTFS] and sets out the guidance and governance necessary to allow the disposal of surplus Council assets. The strategy was approved and adopted by Cabinet in February 2021.
- 2.2 The properties included within this report have been identified as surplus within the context of the disposal strategy and were included in the initial 2021/22 tranche within the Strategy.
- 2.3 The above proposals have followed the governance process as set out within the strategy and has been approved by Place DLT and ELT.
- 2.4 The approved business cases are attached as a background paper in the Part B report

3. BACKGROUND

- 3.1 Given the significant financial challenges faced by the Council, it is important to ensure that the best outcome is achieved from any disposal and this includes
 - Holding cost of any surplus assets if to be retained for longer term use or sale
 - Running costs for under-utilised assets and how these can be reduced
 - Service requirements across the Council to ensure an asset is not being sold off if it could provide a cost effective solution for another service area
 - Achieving “Best Consideration” – would delaying a disposal be more beneficial
 - Loss of revenue from any income producing assets
 - Impact on the local area from holding assets empty for prolonged periods or the additional benefit from regeneration
 - Reputational issues from having vacant assets

3.2 The disposals included within this report fall within the following categories :

- Surplus assets released by service area
- Vacant Properties

3.3 It has been recommended that a variance of up to 10% on the initial agreed purchase price is permitted before any disposal needs to be referred back to cabinet. For many of the smaller disposals, the parties making the offers may not carry out as much due diligence around the legal title or site limitations as for larger sites where bidders have access to better professional advice. It may therefore be the case that matters become apparent during the legal process that could impact on the value of the site. On the basis that such conditions are likely to impact the general value of the site, it is considered realistic to look at the financial impact and agree a lower figure as may be necessary. Such a reduction will only be considered where it impacts the general value of the asset rather than for the specific user unless even with any agreed reduction the preferred bidder still clearly offers the most favourable option in terms of securing best consideration for the asset disposal and would therefore not be in breach of the requirements of s123 of the Local Government Act 1972

4. DETAIL

4.1 SHW have been selected to market all the smaller disposal sites following a tender exercise run through the Buying Team. An initial marketing report was received for each site with a recommendation as to the best marketing option and approach. All assets are initially being considered for sale on an unconditional basis.

4.2 Where assets have less straightforward use or development options, further advice has been obtained from the planners to provide some guidance to prospective purchasers as to what may be possible to try and maximise value. If offers received suggest a much higher value could be achieved if planning consent were to be obtained then conditional offers, with time limits may be considered.

4.3 All properties have been independently valued and fully marketed to be able to demonstrate that best consideration has been achieved through this process. The individual business cases are appended to the Part B report together with the independent valuations. Part of the marketing process has involved direct mailing of details to the main umbrella VCS groups including the CVA, Asian Women's Group, BME Forum and CNCA but no direct offers have been received through any of these groups.

4.4 As part of the decision to market the assets now, consideration has been given as to whether this is the correct time to sell them in order to obtain best value. Whilst it is clear that the sale of assets is required to help meet the demands of the Council's current financial requirements to support the MTFs and under the

capitalisation directive, it must be demonstrated that this will not reasonably impact on obtaining best consideration for them.

- 4.5 Detailed consideration has therefore been given to the current market conditions for both residential development and disposals within the Community use sector. In respect of residential sites, the demand for good development opportunities remains high as house prices and rental levels within the private sector have continued to grow. Over the next five years the average house prices are expected to increase by 21.6% although the increases are predicted to tail off over years 3-5, especially within the south east, with the highest increases being predicted for this year.
- 4.6 The market is also witnessing large increases in building material and labour costs as a result of shortage of supply due to the impact of the Pandemic and Brexit and an increase in demand. Material prices rose by 5.6% in the year to Q1 2021 and are forecast to increase by 7.2% in the year to Q2 2021, according to BCIS Materials Cost Index. Despite the current strength of the residential market, cost inflation will continue to impact the sector, especially as increasing costs to meet building regulations under the Future Homes Standard come into effect from 2022 and pressures on better design are introduced under the National Model Design Code.
- 4.7 Given the combined impact of the increase in residential values being offset by the considerable increase in build costs and tender prices it is unlikely that any significant change in overall market values for residential developments will occur over the next few years.
- 4.8 The marketing of the community assets has demonstrated that there is a very keen interest in such opportunities within the community, and in particular the faith sector for larger venues as these are generally in short supply. Such demand has led to a good level of interest which has helped secure high levels of offers that have exceeded the professional valuations. This sector of the market is likely to be less influenced by wider market activity as it is more demand driven.
- 4.9 Based on the above it is considered that a disposal at this time will not unduly undervalue the assets and will have the additional benefit of delivering new uses to help improve and support local communities and deliver savings in the Council's holding costs for the assets.

5.0 ASSET DISPOSALS

5.1 Glazier House

- 5.1.1 This property was previously used by Family Solutions Service and Early Help for support and consultation with families. Following a re-organisation of the service area, there was a requirement for a larger premises and as a result alternative premises were identified and they have now relocated to a new hub facility at 1/3 Overbury Crescent, New Addington. No other service area has identified a need for the space and therefore the property has now been declared surplus. The property was also been used on a part time basis by the

National Autism Service but following discussion they have agreed to vacate and the site is now fully vacant. Information management have cleared the building and confirmed that it is clear of all documents. The National Autism service has in part relocated their service provision to offices in Mansfield House, Croydon as well as increasing their on-line service provision.

- 5.1.2 The property is a substantial two storey late Victorian house with additional accommodation in the roof space. It is located within a good residential area where a number of similar properties have been converted to provide flatted accommodation. The property is in a local heritage area but not listed and sits within a slightly awkward shaped plot being on the corner of two roads. The majority of the land is to the front and side of the house which provides opportunity for parking rather than secluded garden space.
- 5.1.3 The property has been fully marketed by SHW who have inspected the site and produced a full set of marketing particulars and set up a data site with basic information regarding the property. The particulars were distributed initially through their mailing list of residential developers and community occupiers on the 8th September 2021. They were subsequently resent on the 27th September 2021 and lastly 6th October 2021 with details of the tender deadline date. In total 27 parties accessed the data room to view and download related documents. Seven separate viewing dates were set up at the property and 30 parties attended the viewings. Best and final offers were then invited by 12pm Friday 15th October 2021. This resulted in 14 offers and the top 3 bids have been detailed in the Part B section of the paper.

5.2 TAVR Broadcoombe

- 5.2.1 The TAVR centre was vacated by the Cadet Group in August 2020 and following vacation has been used as a Covid testing and more recently a Covid storage site under a short term licence agreement. This runs until 31 March 2022 but can be terminated earlier if required. The site has not been identified for any requirement within the Council and has therefore been declared surplus in line with the Interim Disposal Strategy.
- 5.2.2 The site is located on Broadcoombe overlooking the rear of a secondary school and adjacent to the Irish Club. The site is of a good size (0.068ha) and regular in shape and comprises of 6 portakabins which are in reasonable condition and internally provide a large open area with ancillary office, kitchen and toilet facilities. There is a secure yard surrounding the building. The existing use will fall within Class F and will be treated as a community asset and therefore potential alternative uses or development options may be limited initially unless a lack of demand can be proved.
- 5.2.3 SHW commenced the marketing of the site in August and distributed particulars initially through their mailing list of residential developers and F1 (Community) use occupiers on the 8th September 2021. They were subsequently resent on the 27th September 2021 and most recently on 6th October 2021 to advertise the tender deadline date. A number of viewing dates were set up at the property and 10 parties attended the viewings. Best and final bids were then requested by 12pm Monday 18th October 2021. A total of 6 offers were received. The 3 highest offers have been detailed in Part

B of this report.

5.3 Former Social Club Drayton Road

- 5.3.1 This property has been vacant for at least 10 years and is a poor quality building that was last used as a municipal social Club and will therefore have a community use. It is located immediately to the rear of a former school building that has recently been let under a long lease and converted into a community hub. The site was considered by Brick by Brick for residential development but following initial investigations was not taken forward.
- 5.3.2 The building is a single storey concrete framed building sited on a long narrow plot, part of which has a right of way shared with the adjoining community building and to provide access to a sub-station to the rear of the site. The site is approximately 0.065ha and is located in the Old Town Conservation area.
- 5.3.3 SHW commenced the marketing of the site through the distribution of particulars to their mailing list of residential developers and F1 use occupiers on the 29th September 2021. They subsequently resent details on the 20th October 2021 including details of the tender deadline date. 3 parties viewed and downloaded the documents within the data room and all carried out viewings. Best bids were invited by 12pm Friday 29th October 2021 and all 3 parties submitted a bid. Details of the bids are included in the part B section of the report.

6. CONSULTATION

- 6.1 No external consultation has taken place with local residents or groups
- 6.2 Ward councilors have been informed of the intention to dispose of these assets. Consultation has taken place with the Council's senior leadership team and Cabinet Members.

7. PRE-DECISION SCRUTINY

- 7.1 The proposed disposal has not been presented to Scrutiny but recommendations made from earlier disposals have been incorporated where appropriate

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

8.1 Revenue and Capital consequences of report recommendations Savings and Capital Receipts Included within the MTFS Budgets

Capital receipts generated from asset disposals (£000)

	21/22	22/23	23/24
Capital receipts	£4,230	£19,994	£5,988

- 8.1.1 Given the significant financial challenges faced by the Council, the disposal of

surplus corporate assets is vital to ensure an improvement in its financial position, secure value for money and achieve financial savings by considering the net costs/benefits of holding surplus assets versus sale or letting of the assets.

- 8.1.2 We are required to pay for the costs of the capitalisation directions out of revenue budgets over a twenty year period, which on a straight line basis would cost 5% per year. In addition interest on those borrowings from the PWLB is at a 1% premium – at current rates this costs this would add 2.9%. Overall this would equate to £790k per £10m borrowed. By generating capital receipts, borrowing to support the capitalisation direction can be avoided and thus prevent pressures on revenue budgets.
- 8.1.3 There has been no additional capital expenditure involved as part of this disposal process as the work to allow the relocation out of Glazier House had already been undertaken. The running costs of these properties i.e. business rates, premises costs (cleaning, security, utilities etc) will further benefit the Council
- 8.1.4 The decision to dispose of an asset will consider the need to receive the benefits now, against a possible delayed sale when the financial benefit may be greater but less certain as usually this is dependent on obtaining suitable planning consent.

8.2 Risks

- 8.2.1 Disposal of properties in the corporate portfolio in the current economic climate gives rise to risks and uncertainties around achieving the best possible sale price. The capital receipts in the table above reflects an element of prudence and conservatism in the receipts of disposal and its timing. However, it must be emphasised that these asset values are subject detailed market valuations and market conditions prevailing at the time of sale.
- 8.2.2 The marketing exercise has generally demonstrated that there is still very good demand for this type of asset from both developers and community organisations and the values achieved have exceeded the valuations in all cases. This would suggest that the disposal of these assets at this point in time has secured best consideration.

8.3 Future savings/efficiencies

The savings highlighted in the table above reflects an estimate of sales proceeds/capital receipts arising from disposal of corporate properties and savings in borrowing costs i.e. interest and minimum revenue provision on the general fund budgets.

Approved by Matt Davis Interim Deputy s151 Officer

9. LEGAL CONSIDERATIONS

- 9.1 The Interim Head of Commercial and Property Law comments on behalf of the Interim Director of Law & Governance that, as set out earlier in this report,

when disposing of land the Council has a statutory duty under section 123 of the Local Government Act 1972 (or section 233 of the Town and Country Planning Act 1990 where the land has been appropriated for planning purposes) to ensure that it obtains best consideration for the land and buildings disposed of and provisions of section 87-89 of the Localism Act 2011. In certain exceptional cases a disposal for less than best consideration is permitted where the difference in the value between the proposed disposal and the best consideration that might be obtainable on the market is less than £2M or, in other cases, with a specific consent from the Secretary of State. The processes set out in this report in relation to the Interim Disposal Strategy seek to ensure that best consideration is obtained in relation to proposed disposals. If and where disposals are proposed to proceed for less than best consideration (e.g. to secure wider community benefits) it is recommended that officers seek detailed legal advice in relation to any potential 'Subsidy Control' issues (the Subsidy Control regime replaces the State Aid regulations).

- 9.2 Land should only be disposed of by a local authority where it is considered to be surplus to the Council's requirements. The process set out in the Interim Disposal seeks to ensure that consideration is given as to potential other Council uses of land before it is recommended for disposal.

Nigel Channer, Interim Head of Commercial and Property Law on behalf of the Interim Director of Law and Governance & Deputy Monitoring Officer

10. HUMAN RESOURCES IMPACT

- 10.1 The proposed disposal is for a vacant property or where relocations have already taken place and therefore has no direct impact on staffing levels, restructuring or recruitment.

Approved by: Gillian Bevan Head of HR Resources

11. EQUALITIES IMPACT

- 11.1 Under the Equality Act 2010 the Council has an obligation to protect **people against discrimination, harassment or victimisation in employment**, and as users of private and public services based on nine protected characteristics: The proposed disposal comprises of vacant land and buildings or assets that have been vacated by services and declared surplus and therefore the disposal will not have a direct impact individual's rights. The closure of the Early Help facility at Birdhurst has been as a result of their requirement for larger premises, which their relocation to New Addington has provided. The new building will allow a wider range of services to be provided and the location allows better accessibility for a large section of their clients based in New Addington.
- 11.2 An equalities impact assessment has been undertaken for these asset disposals collectively, and the action being taken to offset the impact on affected protected groups is noted.

Approved by: Denise McCausland Equality Programme Manager

12. ENVIRONMENTAL IMPACT

- 12.1 The proposed disposals do not have any direct environmental impact. Any development that may take place on the disposed sites will have to be in full compliance with current planning, building and environmental legislation.

13. CRIME AND DISORDER REDUCTION IMPACT

- 13.1 The disposal of the vacant site and redundant buildings will help to improve antisocial behavior and crime that has been evident around this site as it will become an active site.

14. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 14.1 The assets are all surplus to current Council requirements and if retained are therefore likely to remain empty which will lead to increased revenue pressures to ensure they are properly secured and through the payment of Business Rates as they will only be eligible for a 3 month rate free period.
- 14.2 Holding vacant assets also has a detrimental impact on the surrounding area and can become a magnet for antisocial behaviour and fly-tipping. Consideration has been given to letting rather than disposing of the assets but all are likely to deliver fairly low levels of rental income and are unlikely to attract tenants that would allow subsequent sales at beneficial yields and therefore this is not an attractive option.
- 14.3 The disposals will help to secure a significant capital contribution and annual revenue saving and will help to meet the requirements set out in the MTFS.
- 14.4 In addition to the financial benefits the disposals will help to deliver wider social benefits through delivering new community organisations or housing within the local areas.

15. OPTIONS CONSIDERED AND REJECTED

- 15.1 The disposal of these assets is in line with the process set out in the Interim Property Strategy and the sites have already been included within the proposed disposal lists for 2021/22. They are all surplus as no alternative Council use has been identified and therefore disposal is the best option. Failure to do so would not help the Council to address the immediate financial position and the requirements of the MTFS.
- 15.2 The only other options are to either let the properties to generate income or look to sell in the future or hold the asset and try and gain planning consent for a more beneficial use. In respect of the former it is not considered that this will maximise their value. Regarding the option to try and gain a higher value through obtaining planning consent for an alternative use, this is considered

unlikely for the 2 community assets as the marketing has demonstrated a very clear demand from community organisations and at realistic values. There would also be a requirement to market the assets for a period of up to 18 months to demonstrate a lack of demand for the asset from community groups. The offers received for Glazier House already demonstrate a value that reflects the potential conversion into flats and therefore the delay and cost of obtaining planning consent is not considered to be worthwhile.

15.3 The disposal of the sites is therefore recommended

16. DATA PROTECTION IMPLICATIONS

16.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

16.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

Approved by: Steve Wingrave Head of Asset Management and Estates

CONTACT OFFICER:

Steve Wingrave
Head of Asset Management and
Estates ext 61512.

APPENDICES TO THIS REPORT:

Equalities assessment

BACKGROUND DOCUMENTS:

Location Plans for:

- Glazier House
- TAVR Centre
- Drayton Road