

LONDON BOROUGH OF CROYDON

REPORT:	OFFICER DELEGATED KEY DECISION	
DATE OF DECISION	16th February 2023	
REPORT TITLE:	60 Vulcan Way, Croydon, CR9 0DB – Asset Disposal	
CORPORATE DIRECTOR / DIRECTOR:	Jane West - Corporate Director of Resources and Section 151 Officer	
LEAD OFFICER:	Huw Rhys-Lewis – Interim Director of Commercial Investment & Capital	
LEAD MEMBER:	Councillor Jason Cummings - Cabinet Member for Finance	
DECISION TAKER:	Jane West - Corporate Director of Resources and Section 151 Officer	
AUTHORITY TO TAKE DECISION:	Delegated authority to the Corporate Director of Resources and s151 Officer to agree the terms and final price for each disposal included within Tranche 1 of the Assets Disposal Plan	
KEY DECISION?	Yes	Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates
CONTAINS EXEMPT INFORMATION?	YES (0524RES)	Public with exempt Part B report Grounds for the exemption: Exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 as it relates to the financial or business affairs of any particular person (including the authority holding that information) and the public interest in withholding disclosure outweighs the public interest in disclosure.
WARDS AFFECTED:	New Addington South	

1 SUMMARY OF REPORT

- 1.1** This report recommends the disposal of the freehold of 60 Vulcan Way. The objectives for the disposal were to secure maximum receipts, achieve bids that were on an unconditional basis with the lowest possible transactional risk and to target capital receipts with the preferred bidder by the end of the calendar year. Savills undertook a full open market process. A transparent and clear process was provided for parties to undertake their due diligence to ensure considered bids. There were 4 potential purchasers once marketing was concluded at best bids.
- 1.2** The bids received, value of the disposal and business case for disposal is included within the confidential Part B report, as this is exempt information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), as it relates to the financial or business affairs of any particular person (including the authority holding that information) and the public interest in withholding disclosure outweighs the public interest in disclosure.

2. RECOMMENDATIONS

For the reasons set out in the report the Corporate Director of Resources and Section 151 Officer is recommended:

- 2.1** To approve the disposal of the freehold of 60 Vulcan Way at the value stated in the confidential Part B report.
- 2.2** To approve the removal of restrictive covenants, as detailed in Part B, as part of the disposal.

3 REASONS FOR RECOMMENDATIONS

- 3.1** The disposal of 60 Vulcan Way supports the requirements of DLUHC through the reduction in capital borrowing and annual revenue costs and the requirements as set out in the Exit Strategy prepared by the Improvement and Assurance Panel. Further commercial reasons for the disposals are included in Part B report. The recommended offer for acceptance represents best consideration. The cost of holding and running assets is second only to staffing costs and therefore it is important to ensure that they are used in the most cost-effective manner. A business case/ feasibility assessment for the disposal is included within the confidential Part B report.

4 BACKGROUND AND DETAILS

- 4.1** The property comprises an industrial warehouse with brickwork elevations under a saw-tooth roof, supported by a steel truss system. Much of the warehouse was constructed in the 1950s, with a further 7,675 sqft high-bay warehouse accommodation constructed in 2003. The warehouse comprises a total GIA of 59,204 sq ft of industrial accommodation and 4,926 sq ft of office accommodation across the ground and first

floor at the front elevation. The property is on a self-contained site with large external yard and car parking areas. The property benefits from standard B2/B8 use.

- 4.2** Alliance Healthcare have occupied the property since 1986 and have recently completed their fourth lease renewal of the premises. Alliance Healthcare operate the site as a regional pharmaceutical fulfilment centre covering London and the Southeast, servicing pharmacies on a 'just in time' basis. The new 5-year lease recently commenced on 2nd October 2023 at a headline passing rent of £545,105 pa reflecting £8.50 psf. The lease is contracted inside the 1954 Landlord and tenant Act.
- 4.3** On 30th November 2022, the Mayor in Cabinet approved the Corporate Asset Management Plan together with the Corporate Property and Asset Disposal Strategy with the overall aim to reduce costs of retained corporate assets used for the delivery of services and to maximise revenue generation. Through the development of the strategy, the identification of surplus assets helps to deliver further capital receipts to reduce the Council's capital financing costs and overall running costs.
- 4.4** On 24th May 2023, a decision of the Mayor in Cabinet was taken to approve Tranche 1 of an Assets Disposal Plan and to delegate authority to the Corporate Director of Resources to agree the terms and final price for each disposal included in the Plan. This enables the Council to achieve the required asset disposals to help support the financial requirements in line with the MTFs. Also, it allows swift decisions to be taken and enables the Council to progress disposals in a more commercial manner, reducing the risk of delaying the acceptance of any offers, and securing both capital and revenue receipts at the earliest opportunity. The minutes of the decision and the officer report to Cabinet are attached as Appendix 1. 60 Vulcan Way is included in the Asset Disposal Plan and the disposal of 60 Vulcan Way would enable the Council to reduce its debt and overall running costs to support the requirements of DLUHC. More detailed commercial aspects supporting the need to dispose of the property are included in PART B
- 4.5** The exercise of the delegated authority by the Corporate Director of Resources requires the following action to have been undertaken:
- The sign off of a business case by the Corporate Management Team (CMT) including full financial assessment.(Sign off agreed by CMT on 21/02/2024)
 - A formal Red Book valuation is undertaken, (if required) on property to be sold.
 - The property must be formally marketed unless there is a clear special purchaser or offer made considerably more than the market value.

Business Case and Full Financial Assessment

- 4.6** The business case and full financial assessment is set out in the Part B report and will be considered by CMT prior to a decision. This includes a financial case for the disposal, timing, the method of disposal, the impact risks for disposal, valuation explanation and market assessment.

Red Book Valuation and Market Assessment

- 4.7** In relation to a Red Book valuation, this is not required due to the nature of 60 Vulcan Way as the value of the property is dictated by the interest in the market and offers made at the time of marketing. A full market exercise has been undertaken which attracted significant interest and six final bids. The bid recommended for acceptance represents best consideration. As such, another formal red book valuation is not required for this disposal.

Marketing Exercise

- 4.8** The property has been thoroughly marketed through commercial disposal agents, Savills, delivering several options from interested parties with varying offers, timescales, and conditions. Attached as PART A Appendix 1 is the property marketing brochure prepared by Savills and the Savills Marketing Report is appended to the confidential Part B Appendix 2 report. The objectives for the disposal were to secure maximum receipts, achieve bids that were on an unconditional basis with the lowest possible transactional risk and to target capital receipts with the preferred bidder by the end of the calendar year. Savills undertook a full open market process over a 4-week period with a transparent and clear process for parties to undertake their due diligence to ensure considered bids. The details of the marketing strategy are set out in Savills Marketing report in the Part B Appendix 2. The marketing process involved an expression of interest exercise, receipt of initial bids, revised bids, and then full and final offers. There were 4 potential purchasers, and an analysis of the bids has been undertaken by Savills, as set out in their Summary of Offers report in PART B Appendix 1, which has resulted in the proposed buyer being secured.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1** No disposal of 60 Vulcan Way – the business case for disposal is set out in the Part B report. As set out above, the overall aim of the approved Corporate Asset Management Plan and the Annual Asset Disposals Plan is to reduce costs of retained corporate assets used for the delivery of services and to maximise revenue generation. This disposal is required to meet those aims and enable the Council to achieve the required asset disposals to help support the financial requirements in line with the MTFS.
- 5.2** No disposal of 60 Vulcan Way at this time – the Council's current financial pressures and need to deliver savings means that not selling 60 Vulcan Way at this time would impact on the opportunity to reduce its debt balance. Reducing the Council's debt balance is a requirement from DLUHC and the government appointed Improvement

and Assurance Panel as part of the ongoing discussion on options for securing ongoing financial sustainability for the Council. A market assessment is included within the Savills' Marketing Report in the Part B appendix 2 and further explained in the Part B report.

- 5.3** No disposal of 60 Vulcan Way to the recommended bidder - an assessment of bids is included within the Savills' Marketing Report in the Part B appendix 2 and further explained in the Part B report. The recommended offer for acceptance represents best consideration.

6 CONSULTATION

- 6.1** Consultation has taken place with the Mayor and the Cabinet Member for Finance in respect of the proposed disposal. The Corporate Management Team have considered the business case for disposal before a decision is made.

7. CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1** The disposal of assets will help deliver a key objective within the Mayor's Business Plan:

Balancing the Books: One of the main priorities is to get a grip on the finances and make the Council financially sustainable. With the Council still reliant on Government support to stay afloat, getting a grip on the finances is a top priority. This will mean difficult but necessary decisions to make the Council financially sustainable for the future.

To do this we will:

- Deliver the savings in the Medium-Term Financial Strategy and increase our income.
- Reduce council debt by selling or letting more council assets and repaying capital loans.

- 7.2** The disposal of assets will help deliver increased income through capital receipts and wider cost savings from estate voids.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

- 8.1.1** See Part B report.

8.2 LEGAL IMPLICATIONS

- 8.2.1** There are various powers the Council may rely upon to dispose of its assets and the Council must comply with the legal framework, including established public law principles, in relation to disposal of land and property. Under Section 123 of the Local Government Act 1972, the Council has the power to dispose of land and has a statutory duty to sell land at the best price reasonably obtainable (“best consideration”), unless it has the consent of the Secretary of State and subject to exceptions set out in the General Disposal Consent (England) 2003.
- 8.2.2** The Executive Mayor has the power to exercise executive functions pursuant to s9E of the Local Government Act 2000 and has the power to delegate those functions. The Executive Mayor in Cabinet approved the Annual Asset Disposal Plan on 24th May 2023 (item no. 12), which included the disposal of 60 Vulcan Way. The Executive Mayor delegated authority to the Corporate Director of Resources and s151 Officer to agree the terms and final price for each disposal included within the Annual Asset Disposals Plan, subject to approval of a business case by the Corporate Management Team (CMT).
- 8.2.3** The proposed disposal of 60 Vulcan Way will include the release of restrictive covenants as detailed in the Part B report and referenced in Appendix 3, Part B.

8.3 EQUALITIES IMPLICATIONS

- 8.3.1** An Equalities Impact Assessment (EQulA) has been undertaken and is included as an appendix in the cabinet papers. The EQulA reveals that there is no direct negative impact on those protected groups. The council remains committed to tackling inequality, recognising that there can be no fair society if some groups remain disadvantaged because of their protected characteristic. This principle also applies to how we procure services. The council expects its service providers to adhere to the same principles of complying with the Public Sector Equality Duty ensuring that the services we procure are both fit for purpose and represent value for money.

OTHER IMPLICATIONS

- 8.4** There are no Personnel, Human Resources, Customer Impact, Equalities, Environment and Design, Risk Assessment, Human Rights, considerations arising from this report.

9. APPENDICES

- 9.1** Part A Appendix 1 – 60 Vulcan Way – Investment Brochure (Savills)

10. BACKGROUND DOCUMENTS

- 10.1** Cabinet report of 24th May 2023 – Tranche 1 Asset Disposal Plan 2023/24 and Lease Renewals and Rent Review Settlements for Various Commercial Properties’

11. URGENCY

11.1 The decision is time sensitive as draft terms have been agreed by both parties and we are now in a position to exchange contracts imminently, with a completion set for 20 working days thereafter.