

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>OFFICER DELEGATED KEY DECISION</b>	
<b>DATE OF DECISION</b>	<b>28th May 2024</b>	
<b>REPORT TITLE:</b>	<b>Goldcrest Youth Centre, Goldcrest Way, New Addington, CR0 0PL – Asset Disposal PART A</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Jane West - Corporate Director of Resources and Section 151 Officer</b>	
<b>LEAD OFFICER:</b>	<b>Huw Rhys-Lewis – Interim Director of Commercial Investment &amp; Capital</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings - Cabinet Member for Finance</b>	
<b>DECISION TAKER:</b>	<b>Jane West - Corporate Director of Resources and Section 151 Officer</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	<b>Delegated Authority to the Corporate Director of Resources and S151 Officer to agree the terms and final price for each disposal included within the initial tranche in the Assets Disposal Plan</b>	
<b>KEY DECISION?</b>	<b>Yes 0924RES</b>	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
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>YES</b>	Public with exempt Part B report  <b>Grounds for the exemption:</b> 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.
<b>WARDS AFFECTED:</b>	<b>New Addington North</b>	

## **1 SUMMARY OF REPORT**

- 1.1** This report recommends the disposal of the freehold of Goldcrest Youth Centre, Goldcrest Way, New Addington, CR0 0PL. The objectives for the disposal were to secure maximum receipts, achieve bids preferably on an unconditional basis with the lowest possible transactional risk and to target capital receipts with the preferred bidder as quickly as possible in order for the Council to reduce its outstanding debt. SHW undertook a full open market process. A transparent and clear process was provided for parties to undertake their due diligence to ensure considered bids. SHW received 4 offers.
- 1.2** Details of the offers received and the marketing report are 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 Goldcrest Youth Centre at the value stated in the confidential Part B report.

## **3 REASONS FOR RECOMMENDATIONS**

- 3.1** The disposal of Goldcrest Youth Centre supports the requirements of the Department of Levelling Up Housing and Communities (DLUHC) through the reduction in capital borrowing and annual revenue costs and the requirements as set out in the Improvement and Assurance Panel's Exit Strategy. 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** Until the start of the Pandemic this was an operational asset with two regular hirers. However, over this period the premises has been shut down and has not been utilised since. With the completion of the new Fieldway Centre (approximately 1.2km away) it was always proposed that the Council based youth operations would be run out of the new premises where there is a dedicated youth services area. Part of the decision to build the new centre was to allow the rationalisation of the existing community assets within the area. Closure of the facility ready for disposal was agreed at Children's, Young People and Education Directorate Management Team on 19 January 2021. The Corporate Management Team also agreed to its inclusion with the initial Interim

Disposal Strategy disposals list for 2021/22 which was agreed by Cabinet in February 2021.

- 4.2** The property is located on a substantial corner site and is predominantly a purpose-built youth building with two halls, kitchen lounge area and separate offices. There is currently limited parking but space for additional spaces to be created. In total the site is approximately 0.2ha. The building is dated with a large shallow pitched and felted roof. The previous use falls within class F2 (Local Community Use) which limited potential development opportunities unless it can be proved that there is no viable community demand.
- 4.3** SHW commenced the marketing of the site through their mailing list of residential developers and F1 use occupiers, together with any direct contacts that had been made to the Council, on the 22<sup>nd</sup> September 2021 and subsequently resent the particulars on the 6<sup>th</sup> October 2021 together with notification of the tender deadline date (Marketing particulars – Appendix 1). 10 parties viewed and downloaded the documents within the data room, and 3 viewing dates were set up at the property which were attended by 8 parties. Best bids were received on the 20<sup>th</sup> October 2021. The 3 highest offers have been detailed within Part B of this report. The marketing process involved direct mailing of the main umbrella voluntary and community groups (VCS) groups including the CVA, Asian Women’s Group, BME Forum and CNCA but no offers were received from them.
- 4.4** As a result of this process, the top 3 bids were all received from community faith organisations and as all 3 bids are very similar, consideration has been given as to the wider benefits that each group could provide to the local community. Local ward councillors and representatives from residents’ groups were provided with the proposals that have been submitted by each bidder to assist with this process.
- 4.5** On 21<sup>st</sup> March 2022, Cabinet approved the disposal of Goldcrest Youth Centre. The minutes of the decision and the officer report to Cabinet are attached as Appendix 2. The disposal of Goldcrest Youth Centre 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.
- 4.6** On 24<sup>th</sup> May 2023, a decision by the Mayor in Cabinet was taken to approve the Annual Assets Disposal Plan (AADP) 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 Medium-Term Financial Strategy (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.
- 4.7** 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.
  - 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 in excess of the market value.

- 4.8** An unconditional offer would have been preferred but due to the nature of the asset, all offers were conditional. These were evaluated by SHW.

### **Business Case and Full Financial Assessment**

- 4.9** 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**

- 4.10** In relation to a Red Book valuation, this is not required due to the nature of Goldcrest Youth Services 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 was undertaken which attracted significant interest and 4 final offers. The offer recommended for acceptance represents best consideration.

### **Marketing Exercise**

- 4.11** The property has been thoroughly marketed through commercial disposal agents, SHW, 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 SHW and the SHW Marketing Report is appended to the confidential Part B report as Part B Appendix 1. The objectives for the disposal were to secure maximum receipts, achieve offers that were on an unconditional basis with the lowest possible transactional risk and to target capital receipts with the preferred bidder as quickly as possible in order to reduce the Council's debt. SHW undertook a full open market process 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 SHW Marketing report in the Part B Appendix 1. The marketing process involved full and final offers. There were 4 potential purchasers and an analysis of the offers has been undertaken by SHW, as set out in their Marketing Report, which has resulted in the proposed buyer being secured.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

- 5.1** No disposal of Goldcrest Youth Centre – 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 at this time of Goldcrest Youth Centre – the Council's current financial pressures and need to deliver savings means that not selling Goldcrest Youth Centre 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.

- 5.3** No disposal of Goldcrest Youth Centre to the recommended bidder - an assessment of bids is included within the SHW Marketing Report in the Part B appendix 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 are due to consider 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**

See Part B report.

- 8.1.1** Comments approved by Andrew Lord Finance team on 07/05/2024.

### **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 24<sup>th</sup> May 2023 (item no. 12). 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** Comments approved by Kiri Bailey Head of Commercial & Property Law, on behalf of the Director of Legal Services & Monitoring Officer on 13/05/2024.

### **8.3 EQUALITIES IMPLICATIONS**

**8.3.1** Under the Public Sector Equality Duty of the Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others. Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and foster good relations between people who share a protected characteristic and people who do not share it.

**8.3.2** 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.

**8.3.3** 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.

**8.3.4** 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.

**8.3.5** Comments approved by Ken Orlukwu, Senior Equalities Officer, on behalf of Helen Reeves, Head of Strategy & Policy on 20/05/2024.

### **8.4 OTHER IMPLICATIONS**

**8.4.1** 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 – Goldcrest Youth Centre – SHW Brochure

## **10 BACKGROUND DOCUMENTS**

- 10.1** Cabinet report of 21<sup>st</sup> March 2022 - Cabinet approved the disposal of Goldcrest Youth Centre.
- 10.2** Cabinet report of 24<sup>th</sup> 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 working towards a position to exchange contracts imminently, with a completion set for 20 working days thereafter. If the decision is delayed, we are at risk of the buyer trying to renegotiate the purchase price, or potentially withdrawing from the transaction.