

Croydon Council

Part A Report

DELEGATED DECISION REPORT TO:	Councillor Simon Hall, Cabinet Member for Finance and Treasury
AGENDA ITEM:	N/A
SUBJECT:	Disposal of West Croydon Bus Station, Station Road West Croydon
LEAD OFFICER:	Steve Wingrave Head of Asset Management and Estates
CABINET MEMBER:	Councillor Simon Hall Cabinet member for Finance and Treasury
Ward	Fairfield
CORPORATE PRIORITY/POLICY CONTEXT: Delivering high Quality public services and improving value for money	
LOCAL AREA AGREEMENT (LAA) TARGETS: Improving value for money for local public services	
FINANCIAL SUMMARY The acceptance of the proposals to dispose of the freehold interest to Transport for London will help progress the regeneration of the bus station and result in a capital receipt. There will be a loss of an annual income of £35,000.	
FORWARD PLAN KEY DECISION REFERENCE NO.: This is not a key decision.	

The Leader of the Council has delegated to the Cabinet Member for Finance and Treasury the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

- 1.1 That the Cabinet member agrees to the freehold disposal of the West Croydon Bus Garage to Transport for London on the terms detailed in the associated Part B report
- 1.2 Note that the purchase price will be published on completion of sale of the freehold

2. SUMMARY

- 2.1 This report recommends the freehold disposal of West Croydon Bus Station ('the Bus Station') to Transport for London (TfL) to help secure their redevelopment of the facility.

3. BACKGROUND

- 3.1 L T London Buses Infrastructure Development Ltd. (part of TfL) previously erected West Croydon Bus Station on Council land in Station Road West Croydon under the terms of a ground lease from the Council for a term of 99 years from 10th August 1983 at a current ground rent of £35,000p.a.
- 3.2 Under the terms of the ground lease the rent is reviewed every 5 years but due to the very limited availability of comparable evidence for bus stations the annual rental has remained unchanged for the last 10 years. The majority of bus stations are on long leases at a peppercorn rent, as is the case for East Croydon Bus Station, to reflect the considerable investment in providing the facility and its ongoing maintenance and refurbishment
- 3.3 TfL are proposing a major redevelopment of the Bus Station and planning consent was granted earlier this year (application number 14/00496/P) for the proposed work. The planning consent allows the demolition of the existing buildings and the provision of a new two storey operational building, small retail unit, connecting canopies and associated works.
- 3.4 TfL have confirmed that they will only take the redevelopment forward if they own the freehold of the site as they are not prepared to invest the £4million capital cost in a leasehold building where they have to pay a rent.

4. DETAIL

- 4.1 Over the last 30 years proving any uplift in the rental value for the site has proved problematic due to the lack of comparable evidence as TfL do not pay a "market" rent for any other Bus Station within Greater London. This has led to no rental increases since 2004. The review due later this year is not expected to lead to an increase and any substantial changes to the rent for the foreseeable future are likely to be limited.
- 4.2 TfL has approached the Council regarding the freehold acquisition of the site as they are looking to invest around £4m in redeveloping the Bus Station.
- 4.3 They are currently looking at two potential redevelopment schemes, one in Croydon and the second in Kingston. They have made it clear that they will not invest in the redevelopment of the Croydon site at this stage unless they own the freehold of the site.
- 4.4 Whilst it is likely that the existing site will be redeveloped at some point in the future, the early start to this project will have major regeneration benefits. If the sale is agreed then TfL are looking to start on site in August/September 2014

with a projected completion in summer 2016. This will allow completion prior to the major works commencing on the Westfield Hammerson scheme and therefore reduce the anticipated impact on the local infrastructure. The improved facility will also help the regeneration of the immediate area and link in with the West Croydon infrastructure works proposed to be undertaken by the Council early in 2015. These will include improvements to the adjacent Tramlink stop to create a more integrated transport hub.

- 4.5 A valuation has been undertaken by the Head of Asset Management and Estates which has formed the basis of the proposed Heads of Terms. This valuation has had regard to the existing and anticipated rents and current market yields for commercial properties bearing in mind the good covenant strength of the tenant. Advice from the agents who negotiated the last rent review regarding future rental levels and potential yields has also been taken. Regard has also been had to the wider regeneration and infrastructure benefits of this project.
- 4.6 Terms have been provisionally agreed for the disposal as detailed in the associated Part B report.

5 FINANCIAL & RISK ASSESSMENT CONSIDERATIONS

1 The effect of the decision

The disposal of this site will secure a capital receipt but will lead to the loss of the current rental payment of £35,000pa. The sale will however help to secure the early redevelopment of the site which will have a beneficial effect on the local area and the improved facilities will enable a greater number of bus passengers to use the facility.

2 Risks

There are no inherent risks from agreeing this transaction. The terms will require TfL to carry out the development and overage provisions protect the Council from the sale of the asset at an enhanced value at any time over the next 25 years

3 Options

If the Council did not sell the freehold, the redevelopment of the site is likely at best to be postponed in favour of the Kingston Bus Station scheme. This could then lead to congestion and access issues when the Westfield-Hammerson scheme is open

4 Savings/ future efficiencies

The freehold sale does not produce any savings or future efficiencies for the Council as the current long lease is on a full repairing basis. The disposal will, however lead to a loss of the current rent income of £35,000pa

(Approved by Lisa Taylor, Head of Finance and Deputy s151 Officer)

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 7.1 The Solicitor to the Council comments that Section 123 of the Local Government Act 1972 requires that any disposal should be on the best terms that can reasonably be obtained. Based on the advice from the Council's Head of Asset Management and Estates, the disposal on the terms outlined in the part B report would appear to satisfy that requirement.

Approved by: Gabriel MacGregor, Head of Legal Services (Corporate) on behalf of the Council Solicitor and Monitoring Officer.

7. EQUALITIES IMPACT

- 8.1 An initial equality impact assessment has been undertaken and determined that:
- ◆ No major change - the Equality Analysis demonstrates that the policy is robust and that the evidence shows no potential for discrimination and that all opportunities to advance equality have been taken;

8. ENVIRONMENTAL IMPACT

- 9.1 The redevelopment of the Bus Station will be in accordance with building regulation requirements and therefore will be compliant with the current regulations where these apply. The work will include more efficient heating and lighting. The use of this space is therefore likely to be more sustainable than the existing options which utilise older, less efficient accommodation

9. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 The completion of this scheme will help provide better facilities and will contribute towards the regeneration of the area which should prove beneficial in reducing crime and disorder

10. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

The disposal of the freehold will secure the early regeneration of the Bus Station which will help support the wider regeneration of the town centre in a timely manner to minimise impact to the local infrastructure.

CONTACT OFFICER: Steve Wingrave
Head of Asset management and Estates Ext. 61512

BACKGROUND DOCUMENTS: Elevation and site plans for the proposed development