

# Scrutiny & Overview Committee Supplementary Agenda



**4. Pre-Decision Scrutiny: The Colonnades, 619 Purley Way, Croydon CR0 4RQ - Asset Disposal (Part A) (Pages 3 - 32)**

The Scrutiny & Overview Committee is provided with the (Part A) report for decision by the Corporate Director of Resources on the proposed disposal of the Colonnades, 619 Purley Way, Croydon. The Committee is asked to: -

1. Review the information provided in the Part A & Part B reports relating to The Colonnades.
2. Consider whether it wishes to raise any considerations for the Corporate Director of Resources to take account of when making the final decision.

**6. Pre-Decision Scrutiny: The Colonnades, 619 Purley Way, Croydon CR0 4RQ - Asset Disposal (Part B) (Pages 33 - 76)**

The Scrutiny & Overview Committee is provided with the confidential (Part B) report for decision by the Corporate Director of Resources on the proposed disposal of the Colonnades, 619 Purley Way, Croydon.

Katherine Kerswell  
Chief Executive  
London Borough of Croydon  
Bernard Weatherill House  
8 Mint Walk, Croydon CR0 1EA

Simon Trevaskis  
Senior Democratic Service & Governance  
Officer - Scrutiny  
simon.trevaskis@croydon.gov.uk  
www.croydon.gov.uk/meetings



## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Scrutiny &amp; Overview Committee</b>	
<b>DATE OF DECISION</b>	<b>6 October 2023</b>	
<b>REPORT TITLE:</b>	<b>Pre-Decision Scrutiny: The Colonnades, 619 Purley Way, Croydon CR0 4RQ - Asset Disposal</b>	
<b>CORPORATE DIRECTOR</b>	<b>Jane West - Corporate Director of Resources and Section 151 Officer</b>	
<b>LEAD OFFICER:</b>	<b>Robert Lines - Interim Head of Property Services</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	The Scrutiny & Overview Committee has asked to conduct pre-decision scrutiny on the proposed asset disposal ahead of the decision being taken by the Corporate Director for Resources	
<b>CONTAINS EXEMPT INFORMATION?</b>  <i>(* See guidance)</i>	<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 and the public interest in withholding disclosure outweighs the public interest in disclosure.
<b>WARDS AFFECTED:</b>	Waddon	

### 1. **PRE-DECISION SCRUTINY: THE COLONNADES, 619 PURLEY WAY, CROYDON CR0 4RQ - ASSET DISPOSAL**

- 1.1. Attached at Appendix A to this cover report is a decision report relating to the proposed disposal of The Colonnades, 619 Purley Way, Croydon, CR0 4RQ. In line with the process agreed by the Mayor in the Asset Disposal Strategy and in line with the General Exception Notice published on Monday, 25 September 2023, the decision will be made by the Corporate Director of Resources not before 3 October 2023.
- 1.2. The Scrutiny & Overview Committee has requested the opportunity to conduct pre-decision scrutiny of the proposed decision, in order to seek reassurance on the proposed asset disposal.

### 2. **RECOMMENDATIONS**

- 2.1. The Committee is asked to: -
  1. Review the information provided in the Part A & Part B reports relating to The Colonnades, 619 Purley Way, Croydon CR0 4RQ - Asset Disposal
  2. Consider whether it wishes to raise any considerations for the Corporate Director of Resource to take account of when making the final decision.

**CONTACT OFFICER:**

Simon Trevaskis – Senior Democratic Services & Governance Officer – Scrutiny

Email: [Simon.trevaskis@croydon.gov.uk](mailto:Simon.trevaskis@croydon.gov.uk)

**Appendix A: Decision Report - The Colonnades, 619 Purley Way, Croydon CR0 4RQ - Asset Disposal (Part A)**

**Appendix B: Decision Report - The Colonnades, 619 Purley Way, Croydon CR0 4RQ - Asset Disposal (Part B)**



## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>OFFICER DELEGATED KEY DECISION</b>	
<b>DATE OF DECISION</b>	<b>9<sup>th</sup> October 2023</b>	
<b>REPORT TITLE:</b>	<b>The Colonnades, 619 Purley Way, Croydon CR0 4RQ – Asset Disposal</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>	<p style="text-align: center;"><b>Delegated authority from the Executive Mayor pursuant to Cabinet report ‘Annual Asset Disposal Plan 2023/24 and Lease Renewals and Rent Review Settlements for Various Commercial Properties’ dated 24th May 2023.</b></p> <p style="text-align: center;"><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 Annual Assets Disposal Plan</b></p>	
<b>KEY DECISION?</b>	<b>Yes</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>	<p style="text-align: center;">Public with exempt Part B report</p> <p style="text-align: center;"><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.</p>
<b>WARDS AFFECTED:</b>	Waddon	

## **1 SUMMARY OF REPORT**

- 1.1 This report recommends the disposal of the freehold of The Colonnades. 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 8 potential purchasers in the first round of bids, 6 parties submitted a revised bid in the second round.
- 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 The Colonnades at the value stated in the confidential Part B report.
- 2.2 To note, an annual update on the Annual Asset Disposal Plan (AADP) to be brought to Cabinet detailing all disposals and lettings and the achieved price.

## **3 REASONS FOR RECOMMENDATIONS**

- 3.1 The disposal of The Colonnades supports the requirements of DLUHC through the reduction in capital borrowing and annual revenue costs. 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 Colonnades Retail & Leisure Park provides 174,362 sq ft of modern retail warehouse and leisure accommodation arranged over a two level terrace, a hotel, a modern three restaurant unit and two single restaurant pods. The main terrace provides retail warehouse and leisure accommodation across ground and first floors and is currently occupied by Nuffield Health, Kidspace, Oxygen Freejumping and Wickes. In the northeast corner of the site there is an 81 room Premier Inn which reports high levels of occupancy through the week and weekend.

- 4.2 In 2019 three new restaurant units (one with a drive-thru lane) were constructed and are now occupied by McDonald's, Nando's and KFC. Costa and Pizza Hut occupy purpose-built units in the car park, with Costa benefitting from a drive-thru lane.
- 4.3 There are two vacant units within the main terrace at ground floor level. Car parking is located to the front of the units. There are a total of 480 car parking spaces reflecting a ratio of 1:363 sq ft. The site extends to approximately 8.35 acres (3.38 hectares).
- 4.4 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.
- 4.5 On 24th May 2023, a decision of the Mayor in Cabinet was taken to approve the Annual 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. The Colonnades is included in the Asset Disposal Plan and the disposal of the Colonnades 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 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.

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

- 4.7 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**

- 4.8 In relation to a Red Book valuation, this is not required due to the nature of the Colonnades 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**

- 4.9 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 Appendix 2 is the property marketing brochure prepared by Savills and the Savills Marketing Report is appended to the confidential Part B 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. The marketing process involved an expression of interest exercise, receipt of initial bids, revised bids and then full and final offers. There were 8 potential purchasers in the first round of bids, 6 parties submitted a revised bid in the second round. An analysis of the bids has been undertaken by Savills, 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 the Colonnades – 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 the Colonnades at this time – the Council’s current financial pressures and need to deliver savings means that not selling the Colonnades 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 and further explained in the Part B report.
- 5.3 No disposal of the Colonnades to the recommended bidder - an assessment of bids is included within the Savills’ 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**

- 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 The Colonnades. 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).

### **8.3 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.

### **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 – Cabinet report of 24th May 2023 - Annual Asset Disposal Plan 2023/24 and Lease Renewals and Rent Review Settlements for Various Commercial Properties'

9.2 Part A Appendix 2 - The Colonnades – Investment Brochure (Savills)

## **10 BACKGROUND DOCUMENTS**

10.1 Cabinet report of 30th November 2022 – Corporate Asset Management Plan

## **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 for October 9th, with a completion set for 20 working days thereafter.

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Cabinet</b>
<b>DATE OF DECISION</b>	<b>24<sup>th</sup> May 2023</b>
<b>REPORT TITLE:</b>	<b>Annual Asset Disposal Plan 2023/24 and Lease Renewals and Rent Review Settlements for Various Commercial Properties'</b>
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>JANE WEST, CORPORATE DIRECTOR OF RESOURCES AND S151 OFFICER</b>
<b>LEAD OFFICER:</b>	<b>HUW RHYS LEWIS INTERIM DIRECTOR COMMERCIAL INVESTMENT &amp; CAPITAL</b>
<b>LEAD MEMBER:</b>	<b>COUNCILLOR CUMMINGS, CABINET MEMBER FOR FINANCE</b>
<b>KEY DECISION?</b>	<b>Yes – Financial Implication Criteria - over £1m KD Number: 3723EM</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	Public with exempt Appendix 2  <b>Grounds for the exemption:</b> Exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 and the public interest in withholding disclosure outweighs the public interest in disclosure.
<b>WARDS AFFECTED:</b>	<b>VARIOUS</b>

### 1 SUMMARY OF REPORT

- 1.1 To set out the recommendations and actions to be taken to approve an Annual Assets Disposal Plan (AADP) for the financial year 2023/24 with a target disposal value of a minimum £50m. The report also seeks approval to delegate the authority to approve the terms for all lettings, leases and rent review settlements to the Corporate Director Resources and S151 Officer.
- 1.2 This will provide the necessary flexibility to respond in a more commercial way to offers that are received both for freehold sales and letting of surplus space following proper

marketing of the assets over the course of the year without the need to have further approvals through the formal Cabinet process.

## **2 RECOMMENDATIONS**

For the reasons set out in the report [and its appendices], the Executive Mayor in Cabinet is recommended:

- 2.1** To approve the Annual Assets Disposal Plan (AADP) for the financial year 2023/24, which includes lettings and re-lettings, as set out in Appendix 1 of this report together with indicative values in Appendix 2 (exempt appendix).
- 2.2** To delegate authority to the Corporate Director of Resources and s151 Officer to agree the terms and final price for each disposal included within the AADP.
- 2.3** To delegate authority to the Corporate Director of Resources and S151 Officer, in consultation with the Cabinet Member for Finance and Executive Mayor, to agree any variance to the list of proposed disposals.
- 2.4** To delegate authority to the Corporate Director of Resources and s151 Officer to agree terms for all lettings, leases and rent review settlements for all Council assets.
- 2.5** The delegations in this report shall only be exercised following:
  - i. sign off of a business case by the Corporate Management Team (CMT) including full financial assessment;
  - ii. formal Red Book valuation, if required on a property to be sold; and
  - iii. formal marketing unless there is a clear special purchaser or offer made considerably in excess of the market value.
- 2.6** To note that the target value for disposals for 2023 /2024 is a minimum of £50m.
- 2.7** To note that progress against the AADP and any variations, shall be reported to Cabinet annually.
- 2.8** To approve a re-drafting of the Financial Regulations to reflect the proposed decision-making changes relating to Assets, set out in this report (and any clarifications thereto), to be reported to the Constitution Working Group with a view to seeking recommendations from the General Purposes Committee and/ or the Cabinet Member for Finance and the Executive Mayor in Cabinet for onward recommendations to Full Council.

## **3 REASONS FOR RECOMMENDATIONS**



- 3.1** The Asset Management Plan and Disposal Strategy Cabinet paper in November 2022 set out a rationale for dealing with the Council's assets to help reduce costs through adjusting to current service delivery requirements, ensuring the best and most economic use of assets whilst still delivering the key services for residents.
- 3.2** To ensure that the Council can achieve the required asset disposals to help support the financial requirements in line with the MTFS. Allowing the terms and price to be agreed through the delegations requested, will allow swift decisions to be taken and enable the Council to compete 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 BACKGROUND AND DETAILS**

- 4.1** A list of potential disposals was put forward as part of the earlier November Cabinet paper. During the intervening period further assets have been added to the potential disposals list. This list has now been broken down into Property/ asset types.
- 4.2** To address the need to dispose of assets in a timely fashion to reduce borrowing requirements as part of the MTFS, it is recommended that a more commercially proactive approach is adopted for future disposals. This can be achieved through the adoption of an Annual Assets Disposals Plan (AADP) containing a list of assets with indicative values and recommendations regarding the disposal, with the decision regarding the agreed terms being delegated to the Corporate Director of Resources and s151 officer in consultation with the Executive Mayor where necessary.
- 4.3** The details contained within the AADP allows Cabinet to have sight of and approve the 2023/2024 plan and to also note the wider disposals list from which some assets may be substituted where appropriate to maintain the necessary programme in line with MTFS.
- 4.4** By adopting this approach, the Corporate Director of Resources and s151 officer will be able to respond in a more commercial way to any disposal opportunities as they would be able to respond to offers far quicker and bidders would have more confidence knowing that the broader disposal parameters had already been approved by the Cabinet member for Finance and the Executive Mayor in Cabinet.
- 4.5** It is therefore proposed that a delegated decision can be made for any disposal on the following basis:
- 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.
- An annual update on the AADP to be brought to Cabinet detailing all disposals and lettings and the achieved price.

- 4.6 In line with the adopted Disposal strategy, ward councillors (as well as the Executive Mayor and Cabinet Member for Finance) will be informed of any changes to the approved AADP.
- 4.7 Under the current Constitution, any lettings or rent reviews where the total rent over the life of the lease is in excess of £500k, this needs to be approved at Cabinet. Given the additional level of delay, and risk of not being able to secure a letting, it is requested that the terms for any letting of surplus space and any rent review settlements are also delegated to the Corporate Director of Resources and s151 officer. The principle of releasing surplus space in buildings such as Bernard Weatherill House and maximising income from assets has already been established through the adoption of the Asset Management Plan.
- 4.8 The delegation of such approval will permit more certainty and allow the benefits of any increased revenue to be secured as quickly as possible. This is essential given the very challenging market at present where undue delay could lead to the failure to secure a letting.
- 4.9 For all properties that have a current lease in place, the sale will be subject to that lease to provide the existing tenants with certainty for the remaining period of the lease. They will also be contact prior to the formal marketing of any property to ensure that they understand the process and give them an earlier opportunity to consider whether they would like to bid for the property. Any sale will, however, follow a process to ensure best consideration is achieved. Where there is an outstanding lease renewal this will be completed prior to any marketing where this is considered appropriate.
- 4.10 In respect of the Coulsdon (CALAT car park) and New Addington sites were we have been in discussion with the NHS for the provision of new health facilities, we will continue to work with them as preferred partners. The sites will only be offered to the wider market once they have confirmed that they no longer want to acquire the sites for new healthcare provisions.

## **5. CONSULTATION**

The Scrutiny and Overview Committee have been consulted prior to the submission of this report by the issue of the draft disposals programme.

Professional agents, auctioneers and RICS Registered Valuers to be consulted to ensure that the most appropriate marketing and values can be achieved for the disposal of any asset in the open market.

Prior to any disposal, consultation with appropriate Improvement and Assurance Panel members, service leads and Directors where necessary as well as CMT and ward councillors will have taken place.

Where appropriate, consultation with planning officers will be undertaken to provide additional information when marketing properties with any substantial development opportunities.

Any required statutory consultation for particular disposals will be undertaken, where relevant.

## **6. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 6.1 The disposals are required to support the requirements of the MTFs through the reduction in capital borrowing and annual revenue costs. 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. By adopting a more flexible disposal process, assets will be able to be sold in a more commercial and timely fashion. With continued uncertainty within the wider macro-economic climate this is becoming increasingly important to allow the Council to compete within the wider commercial disposals market. It has been demonstrated from some of the earlier disposals, that any delays can lead to purchasers trying to reduce initial offer prices and, in some cases, withdraw from the sale.

## **7. OPTIONS CONSIDERED AND REJECTED**

- 7.1 Do nothing – this was rejected since it would not deliver benefits and savings to the Council's MTFs and wider requirements of the Improvement and Assurance Panel.
- 7.2 The approval of an annual asset disposal programme through Cabinet with likely price ranges and summary details will ensure transparency and offer the opportunity to consider individual asset disposals. The detailed terms around each sale or letting and the final price will only be agreed as part of the subsequent negotiations and the requested delegations will provide the necessary commercial flexibility to secure the best possible outcome, which is becoming increasingly necessary to secure purchasers and tenants in the current market.

## **8. CONTRIBUTION TO COUNCIL PRIORITIES**

- 8.1 The disposal of assets will help deliver a key objective within the Mayors 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.

The Sale and letting of assets will help deliver increased income through the rental received and wider cost savings in addition to the capital receipts.

## **9. IMPLICATIONS**

### **9.1 FINANCIAL IMPLICATIONS**

- 9.1.1 Historic decisions regarding the capital programme mean that the Council's outstanding General Fund debt is disproportionately high compared to most councils. The revenue cost of financing that debt represented 14% of the Council's original 2022/23 net budget when most councils are in the range of 5-10%. General Fund debt in April 2022 was £1.3bn and with interest rates rising when debt is scheduled for re-financing, the development of a disposal and lettings strategy and the subsequent sale of assets is essential to mitigate rising cost pressures and reduce the overall cost to the Council.
- 9.1.2 As part of each disposal plan the financial assessment will include the impact of the disposal on any loss of rental income alongside the impact on borrowing costs and MRP provision against each disposal site.
- 9.1.3 Approved: Alan Layton, Interim Head of Service, Finance on behalf of the Corporate Director of Resources and S151 Officer

### **9.2. LEGAL IMPLICATIONS**

- 9.2.1 The Head of Commercial Property and Law comments on behalf of the Director of Legal Services & Monitoring Officer that:
- 9.2.2 There are various powers the Council may rely upon to dispose of its assets and the Council must comply with legal framework, including established public law principles, in relation to disposal of land and property. Under Section 123 of the Local Government Act 1972, it 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. Each individual disposal decision will require an analysis of the Council's legal powers to dispose of the relevant piece of land and any other legal requirements prior to disposal, such as any consultation requirements or other restrictions relevant to the particular asset.
- 9.2.3 Where land or property is used to deliver services, the Council must take a decision on changing or maintaining its existing service provision before disposing of assets that are used to provide these services. This could engage the public law duty to consult service users and other affected stakeholders.
- 9.2.4 It is government policy that local authorities should dispose of surplus and under-used land and property wherever possible. Under the Local Government Transparency Code 2015, the Council is required to publish details of land/property which it has declared surplus to requirements or deems to be under-used.

- 9.2.5 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. This report seeks relevant delegations to exercise executive functions. At present the delegations in the Financial Regulations have been superseded by the Executive Mayor's Scheme of Delegation following the introduction of the Mayoral Model. As such, both the Mayor's Scheme of Delegation and the Financial Regulations will require updating in order to reflect the recommended delegations in this report, if approved.
- 9.2.6 The Council's Financial Regulations are contained within the Council's Constitution. As such, any amendments to these Regulations will need to be approved by Full Council in accordance with Article 15 of the Constitution: *"changes to this Constitution shall only be approved by the Full Council after consideration of written proposals made by the Mayor, Cabinet, General Purposes Committee or Monitoring Officer and the submission of a recommendation to a meeting of the Council. Changes approved by the Council shall take effect from the conclusion of the meeting at which those changes are agreed unless the recommendation specifies otherwise"*.
- 9.2.7 The General Purposes Committee approved the setting up of a Constitution Working Group (meeting of 29th September 2022, item number 4) and the scope of their review includes the following specific changes: Part 4.H – Financial Regulations 2022 - General review and update in light of recent governance reviews and reports. As such, any amendments to the Financial Regulations should be considered by the Constitution Working Group in the first instance, for onward recommendations to Full Council.

Approved by Kiri Bailey, Head of Commercial & Property and Law on behalf of the Director of Legal Services & Monitoring Officer

### **9.3. HUMAN RESOURCES IMPLICATION**

- 9.3.1 There are no immediate Human Resources implications arising from the content of this report. Should matters arise in respect of individual disposals these will be managed under the Council's HR policies and procedures and as part of the decision process for each recommended disposal.

(Approved by Gillian Bevan Head of HR Resources on behalf of the Director of Human Resources)

### **9.4 EQUALITIES IMPLICATION**

- 9.4.1 An Equalities Impact Assessment (EQuIA) has been undertaken and is included as an appendix in the cabinet papers. The EQuIA 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.

Approved by Barbara Grant on behalf of Denise McCausland, Equality Manager.

## **9.5 ENVIRONMENTAL IMPACT**

9.5.1 There are no significant implications or risks to be considered. It is likely that, following disposal, properties will be redeveloped or refurbished which will enhance their building performance.

## **9.6 CRIME AND DISORDER REDUCTION IMPACT**

9.6.1 There are no significant implications or risks to be considered at this stage. The impact of individual disposals will be considered at the time and included within separate reports.

## **9.7 DATA PROTECTION IMPLICATIONS**

**WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'? - NO**

**HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED? - NO**

(Approved by: Steve Wingrave on behalf of the Interim Director of Commercial Investment and Capital)"

## **10 APPENDICES**

**Appendix 1 Annual Asset Disposal Plan (Part A)**

**Appendix 2 PART B Annual Assets Disposal Plan with indicative values**

**Appendix 3 Equalities Impact Assessment (EQulA)**

## **11 BACKGROUND DOCUMENTS**

**Asset Management Plan and Disposal Strategy**

**CONTACT OFFICER:** Huw Rhys Lewis **Interim Director Commercial Investment and Capital**



# THE COLONNADES

PURLEY WAY, CROYDON

GREATER LONDON RETAIL AND  
LEISURE PARK WITH LONGER TERM  
DEVELOPMENT POTENTIAL



# 8 ACRES PROVIDING 175,000 SQ FT OF PRIME RETAIL WAREHOUSE AND LEISURE SPACE





# INVESTMENT CONSIDERATIONS

An opportunity to acquire a prime, Greater London retail and leisure park in Croydon, one of the principal commercial and retailing locations in Greater London.

- Prominently located at the southern end of Purley Way (A23), one of the **busiest retail warehouse and leisure locations in the UK**, with an extensive catchment population of **938,173 within a 20 minute drivetime**.
- Croydon is the **largest London borough by population** with 390,719 people (ONS, 2021) and is **due to grow by 12%** in the next 15 years.
- The scheme extends to **174,362 sq ft** and comprises retail accommodation at ground floor, leisure accommodation at first floor, an 81-bed hotel and 5 restaurant units. There are a total of 480 car parking spaces which provides a **car parking ratio of 1:363 sq ft**.
- Large site area of **8.35 acres (3.38 hectares)**, providing a site coverage of 48%.
- The property is held **Freehold**.
- **Strong retail and leisure tenant line up** including Nuffield Health, Kidspace, Oxygen Freejumping and Wickes along with a number of national food and beverage operators including McDonald's, Nando's, KFC, Pizza Hut and Costa. The hotel is let to Premier Inn.
- Weighted average unexpired lease term of **7.00 years to expiry, and 6.80 years to break**.
- The current contracted total gross rent passing is **£2,801,084** per annum which equates to an average rent of **£16.06** per sq ft.
- **52%** of income subject to **index linked or fixed rental increases**.

We are instructed to seek offers in excess of **£35,480,000 (Thirty Five Million Four Hundred and Eighty Thousand Pounds)**, exclusive of VAT. This reflects a **net initial yield of 7.00%**, assuming purchaser's costs at 6.80%.





WEST END

CITY OF LONDON

CROYDON TOWN CENTRE

WADDON TRAIN STATION

THE COLONNADES



PURLEY WAY

Hilton



BOUNDARY FOR INDICATIVE PURPOSES ONLY.



# LOCATION

**Croydon is a principal retail location and one of the largest commercial districts in Greater London.**

The borough is located 12 miles (19 km) south of Central London, 8 miles (13 km) south west of Bromley and 13 miles (21 km) south east of Kingston upon Thames.

Croydon is one of the largest commercial districts in Greater London and has recently been selected as an opportunity area in the London Plan 2021, with proposals to provide 14,500 new homes and 10,500 new jobs by 2041.



CAR

Purley Way (A23) is the main arterial route linking Croydon with Brighton and the south coast via the M25 (Junction 7) and the M23 (Junction 3). To the north the dual carriageway connects with the South Circular and provides direct access to Central London.



BUS

The Colonnades benefits from a bus terminus on site, with regular bus services departing and arriving at The Colonnades on average every 14 minutes, 24 hours a day.



TRAIN

Croydon is one of the best connected metropolitan centres in London. It is served by three railway stations: East, West and South Croydon. The London Overground at East Croydon provides the quickest route into London via London Bridge or London Victoria in 13 minutes.



AIR

London Gatwick Airport is the second busiest airport by total passenger traffic in the UK and is located 16 miles (26 km) south of Croydon. Thames Link operates a train from East Croydon to Gatwick Airport every 15 minutes with a fastest journey time of 14 minutes. Southern services also provide 4 trains an hour.



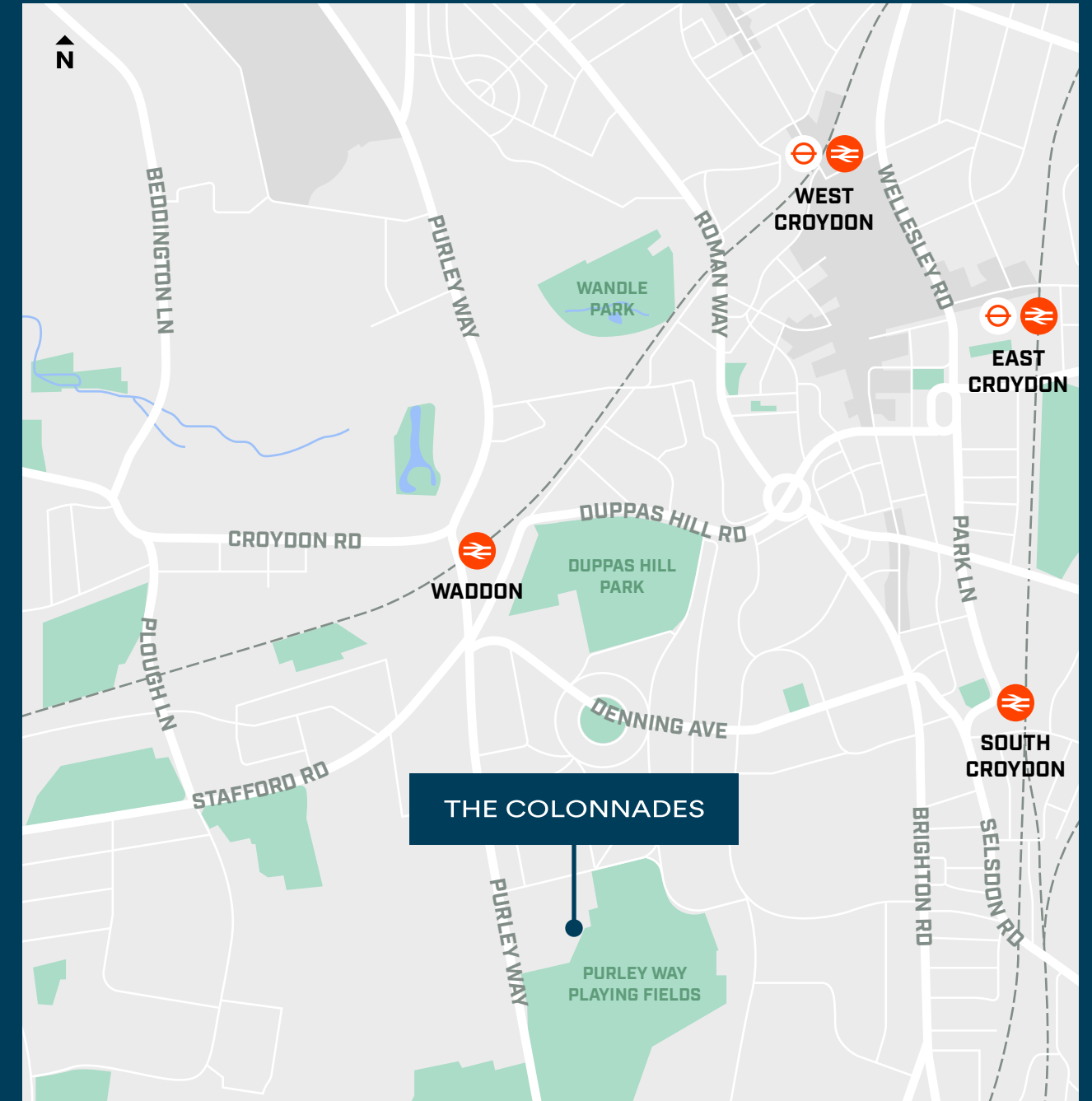


# SITUATION

The property occupies a highly prominent position on the A23 (Purley Way), one of the most established out of town retail destinations in the country.

Access to The Colonnades is available in all directions from a traffic light controlled junction.

The surrounding area is dominated by commercial, industrial and residential uses. To the north of the site is a Hilton hotel and on the opposite side of Purley Way there are a number of retail and industrial units. To the south west of the property is a 140,000 sq ft Costco wholesale depot.





# CATCHMENT & DEMOGRAPHICS

**Croydon is the largest London borough by population at 390,719 people (ONS, 2021) and is due to grow by 12% in the next 15 years. The population within a 20 minute drivetime expands to 938,173.**

The local population is economically active, with an over-representation of mid to high income earners, as well as a high proportion of the top ABC1 social grades comprising skilled professionals and management workers.

Croydon is currently undergoing an exciting transformation period. There are new high quality office buildings and over 2,500 new homes under development along with substantial investment in local amenities with 5 masterplans focused on making Croydon a market opportunity for international businesses.



**POPULATION OF 207,147 WITHIN  
A 10 MINUTE DRIVETIME**



**POPULATION OF 938,173 WITHIN  
A 20 MINUTE DRIVETIME**



**CROYDON POPULATION OF  
390,719, MAKING IT LONDON'S  
LARGEST BOROUGH & 16<sup>TH</sup>  
LARGEST ENGLISH DISTRICT**



**PREDICTED POPULATION  
INCREASE OF 12% IN THE  
NEXT 15 YEARS**



**18.25 MILLION PASSENGERS AT  
CROYDON'S RAILWAY STATIONS  
IN 2021/2022 (SOURCE: ORR)**

# RETAIL WAREHOUSE AND LEISURE PROVISION IN CROYDON

The subject property forms part of a significant out of town retail and leisure destination comprising 1.326 million sq ft of out of town provision.

This extensive retail provision creates a regional draw to Purley Way, resulting in a large number of visitors.

There are two other leisure schemes in Croydon. Valley Leisure Park is situated on the northern end of Purley Way and is let to Vue cinema, The Gym, Tenpin bowling, a Dreams unit and a number of restaurants. Grants is located on the edge of the town centre and also has a Vue cinema, a Nuffield Health and several restaurants.





# DESCRIPTION

The Colonnades provides 174,362 sq ft of modern retail warehouse and leisure accommodation arranged over a two level terrace, a hotel, a modern three restaurant unit and two single restaurant pods.

- The main terrace provides retail warehouse and leisure accommodation across ground and first floors and is currently occupied by Nuffield Health, Kidspace, Oxygen Freejumping and Wickes.
- In the north east corner of the site there is an 81 key Premier Inn which reports high levels of occupancy through the week and weekend.
- In 2019 three new restaurant units (one with a drive-thru lane) were constructed, and are now occupied by McDonalds, Nando's and KFC.
- Costa and Pizza Hut occupy purpose built units in the car park, with Costa benefitting from a drive-thru lane.
- There are two vacant units within the main terrace at ground floor level.
- Customer access to the property is from the A23 (Purley Way). Access to The Colonnades is available in all directions from a traffic light controlled junction. The units are serviced to the rear and access is via the main car park.
- Car parking is located to the front of the units. There are a total of 480 car parking spaces reflecting a ratio of 1:363 sq ft.
- The site extends to approximately 8.35 acres (3.38 hectares).



# TENURE

The property is held Freehold.



# SCHEME PLAN & ASSET MANAGEMENT

The park offers the following asset management initiatives:

- 1) Conclude the Pizza Hut regear [currently in legals]
- 2) Complete lettings on the vacant units [units 2 and 4]
- 3) Regear the shorter leases of Nuffield Health and Premier Inn

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Plan for indicative purposes only



PURLEY WAY PLAYING FIELDS



# TENANCIES

The total passing rent is **£2,801,084** per annum, equating to **£16.06** per sq ft. The property provides an income stream for a weighted average unexpired lease term of **7.00** years to expiry and **6.80** years to break. The property is let in accordance with the adjacent tenancy schedule:



UNIT	TENANT	TRADING AS	AREA (SQ FT)	LEASE START	LEASE EXPIRY	RENT REVIEW DATE	BREAK DATE	PASSING RENT (PER ANNUM)	PASSING RENT (PER SQ FT)	COMMENTS
Unit 1	The Greenalls Group Plc	Nuffield Health	40,958	06-Dec-99	05-Dec-24			£530,948	£13.27	Assumed floor area in the lease of 40,000 sq ft
Unit 2	Vacant		2,917							Assumed LL shortfall of £45,548 per annum.
Unit 3	Kidspace Croydon Limited	Kidspace	24,358	10-May-07	09-May-25	24-Jun-24	05-Dec-24 (LL)	£268,977	£11.04	An additional turnover rent payable of 11.5% of turnover above £1.45million.
Unit 4	Vacant		4,994							Assumed LL shortfall of £77,981 per annum.
Unit 5A	Wickes Building Supplies Limited	Wickes	24,510	03-Mar-17	02-Mar-32	03-Mar-27		£647,965	£26.44	5 yearly RPI rent reviews collar and capped at 1.0%-3.0% pa compounded. Service charge cap of £50,713.44.
Unit 5B	Oxygen Freejumping South Limited	Oxygen Freejumping	31,033	18-Jan-17	17-Jan-32	18-Jan-27		£458,194	£14.76	Fixed increase: 18/01/22 - 17/01/27 = £458,193.54 pa and 18/01/27 - 17/01/32 = £505,882.69 pa
Unit 6	Premier Travel Inn Limited	Premier Inn	27,480	06-Dec-99	05-Dec-24	06-Dec-19		£305,000	£11.10	
Unit 7A	McDonalds Restaurants Limited	McDonalds	5,744	21-Jun-19	20-Jun-44	21-Jun-24		£160,000	£27.86	Service charge cap presenting a shortfall of £281.
Unit 7B	Nando's Chickenland Limited	Nando's	3,538	21-Jun-19	20-Jun-34	16-Jul-24		£105,000	£29.68	
Unit 7C	K&Z South London Limited	KFC	3,500	20-Sep-19	19-Sep-39	20-Sep-24	20-Sep-34	£105,000	£30.00	Upwards only rent review with a cap at 10%
Unit 8	Pizza Hut (UK) Limited	Pizza Hut	3,530	24-Jun-23	23-Jun-33			£130,000	£36.83	Terms agreed for a new 10 year lease at £130,000 per annum with a LL break at Year 5. RPI rent reviews collar and capped at 1-3%. Current rent passing equates to £100,000 per annum expiring in December 2024.
Unit 9	Costa Limited	Costa	1,800	13-Oct-15	12-Oct-30	13-Oct-25		£90,000	£50.00	Upwards only reviews to the higher of: basic rent, compounded rent (2.0% pa) or OMRV.
Bus Stand	London Bus Services Limited			14-Nov-02	Rolling					
Substation	Seeboard Plc			21-Jan-00	20-Jan-50					
<b>TOTAL</b>			<b>174,362</b>					<b>£2,801,084</b>	<b>£16.06</b>	
<b>SHORTFALLS</b>								<b>£149,086</b>		
<b>NET RENT</b>								<b>£2,651,998</b>		



# ONE OF THE STRONGEST TRADING LEISURE DESTINATIONS IN SOUTH LONDON



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# ALTERNATIVE USE VALUE

## Planning Context

The site is not allocated for development nor is it protected from redevelopment via planning designations. The site is wholly located within a 'Croydon Panorama' view, as identified in the LBC Local Plan.

There is no planning history for the comprehensive redevelopment of the site.

## The Purley Way Masterplan

The Council is developing a masterplan for Purley Way and this site is identified for redevelopment as part of the Waddon Way Neighbourhood Centre. This neighbourhood centre area is identified as having the potential for wholesale redevelopment to create a new neighbourhood centre comprising 970 new residential units, 10,111sqm of new retail, leisure and community uses.

The Colonnades site itself is earmarked to absorb the majority of these new homes, with the draft Masterplan suggesting a range of 355 to 681 new homes at the site (with an indicative figure of 659 new homes stated). In addition a transport "superstop" with public realm is identified. Heights ranging between 4-6 storeys, with pop-ups of up to 7-8 and 9-10 storeys on the southern boundary are considered acceptable.

The emerging Masterplan was consulted on between February 2021 and March 2021. LBC has their aspirations to see the Masterplan SPD adopted alongside the Croydon Local Plan Review in December 2025. To-date progress has been delayed on both, as a result, the draft masterplans presently carries no weight in policy terms or decision taking.

## Potentially acceptable alternative uses

Given that the site is not allocated and is unconstrained by planning designations in relation to land use, we consider that the following uses could be supported on the site, subject to meeting policy specific requirements for each:



**Retail, Services, Commercial and Leisure**  
(Class E(a)-(g) and Sui Generis)



**Hotel**  
(Class C1)



**Residential**  
(Class C2 and C3)



**Community uses**  
(Class F1 and F2)



**Office/Business spaces**  
(Class E (g) (i))



**Research and Development**  
(Class E (g) (ii))



**Light industrial**  
(Class E (g) (iii))



PURLEY WAY  
PLAYING  
FIELDS



## EPC Ratings

A copy of all EPCs and associated reports are available upon request.

## VAT

The subject property has been elected for the purpose of VAT and it is anticipated that the sale will be treated as a 'Transfer of a Going Concern'.

## Pricing

We are instructed to seek offers in excess of **£35,480,000 (Thirty Five Million Four Hundred and Eighty Thousand Pounds)**, exclusive of VAT. This reflects a **net initial yield of 7.00%**, assuming purchaser's costs at 6.80%.

## Contacts

### Investment

#### James Hurst

+44 (0) 7881 952 247  
jhurst@savills.com

#### Ella Dryden-Peck

+44 (0) 7788 971 489  
ella.drydenpeck@savills.com

### London Development Land

#### Andrew Cox

+44 (0) 7967 555 429  
acox@savills.com

#### Henry George

+44 (0) 7977 030 151  
henry.george@savills.com



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