

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:	Sarah Hayward, Interim Executive Director of Place
CABINET MEMBER:	Cllr Stuart King, Deputy Leader and Cabinet Member for Croydon Renewal Cllr Callton Young OBE, Cabinet Member for Resources and Financial Governance
WARDS:	Various

COUNCIL PRIORITIES 2020-2024
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

FINANCIAL IMPACT

This paper is seeking approval for the disposal of four assets in line with the Interim Asset Disposal Strategy. If these sales progress to completion they will deliver £2.1m capital receipt and over £120,000pa revenue savings. These disposals are part of the wider disposal strategy and will significantly contribute towards the 2021/22 assets disposal targetin the MTFS of £4.2m.

All disposal costs, including a contribution towards officer time will be paid for out of the capital receipt 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.

FORWARD PLAN KEY DECISION REFERENCE NO.: 3821RFG, 3321RFG, 4421RFG and 4521RFG

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.

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

1. RECOMMENDATIONS

Cabinet Member for Resources and Financial Governance in consultation with the Leader agrees the following:

- 1.1 Approve the disposal of the Coulsdon Court Golf Club and Hotel, Old Coulsdon
- 1.2 Approve the disposal of part of the former CALAT site, Malcolm Road, Coulsdon

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| 1.3 | Approve the disposal of a former HRA garage site at Windmill Road, Thornton Heath |
| 1.4 | Approve the disposal of the Scout Hut, Peppermint Close, Broad Green |
| 1.5 | Delegate the approval of the grant of a lease for Heathfield House to Cressey College to the Interim Executive Director Resources in consultation with the Cabinet Member for Croydon Renewal to allow for due consideration to be given to any comments received following the Notice for the disposal of public open space |

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 although not all were part of the suggested initial tranche.
- 2.3 All of the above proposals have followed the governance process as set out within the strategy and have been approved by Place DLT and ELT.

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 assets being recommended for disposal fall within the following categories:
 - Surplus assets released by service areas

- Income producing assets
- Housing Sites – largely comprising of former Brick by Brick sites

4. DETAIL

- 4.1 All of the sites that are being recommended for disposal or letting have not been subject to marketing as it is considered that all are subject to “special purchaser” criteria that demonstrates either an uplift in value on likely market values or significant benefits to the Council/local area in addition to achieving best consideration.
- 4.2 The disposal of any Council owned asset is subject to achieving “Best Consideration” either in line with s123 of the Local Government Act 1972 or s233 of the Town and Country Planning Act 1990 where land has previously been appropriated for planning purposes. There are exceptions where a disposal at less than best consideration can be permitted, where the variance does not exceed £2m if there are clear economic, social or environmental benefit in line with the terms of the General Disposal Consent (England) 2003 or otherwise where the Secretary of State has provided a specific consent on the basis of a Council request.
- 4.3 To help demonstrate that Best Consideration is being achieved, all assets have been valued by an external valuer as part of the disposal process and the terms agreed have been approved by the Head of Asset Management before being put through the formal governance process.

4.4 Coulsdon Court Golf Club

- 4.4.1 The golf course is set within metropolitan green belt and offers an 18 hole public course set in 140 acres of land together with 4 tennis courts, squash courts, golf shop and ancillary buildings. The course is currently let under the terms of a 125 year lease with 103 years remaining. An initial premium of £150,000 was paid in 1999 and there is an annual rental of around £19,000 based upon a percentage of the turnover income. The course, putting greens and tennis courts are required to remain as public facilities under the lease terms of the lease
- 4.4.2 The hotel is let on a separate lease of a similar length with 103 years remaining but is on a peppercorn rent. An initial premium of £600,000 was paid in 1999 for the lease. The hotel offers 5 function rooms, restaurant and 42 rooms.
- 4.4.3 The current tenants approached the Council to request the purchase of the freehold interest and terms have been negotiated as set out in Part B of this report.
- 4.4.4 The terms will require the Golf Course to remain accessible to the public adopting the same requirements as set out in the existing lease. The terms have also included an overage provision to allow the recovery of any additional value that may arise if consent for development is obtained over the next 30 years

4.5 Part of the Former CALAT Centre site, Malcolm Road, Coulsdon

- 4.5.1 This asset was formerly a 1 form entry primary school but more recently has been used as an adult education centre. Following closure of the centre the site was declared surplus and initially offered to Brick by Brick (BBB) as a potential development site but this was not taken forward. The part of the site that is currently under offer relates to the car park area to the south of the site as identified on the attached plan. This is currently being used as a car park that was opened on a temporary basis to help compensate for the lack of parking at Lion Green Road. The new car park at Lion Green Rpoad has now been completed and was opened earlier this year.
- 4.5.2 As part of the BBB plans the former car park was identified as a site for a new Health Hub. This facility forms an essential part of the wider estates strategy for the NHS provision within the area and is needed to accommodate the increased demand, in part due to the large development on the former Cane Hill Hospital site.
- 4.5.3 The option to pursue a single developer rather than marketing the asset more widely has been necessary to ensure the development of a Health Centre on this site rather than an alternative within the Cane Hill development which was already at an advanced stage of negotiation by the NHS due to the lack of progress with the BBB site.
- 4.5.4 Terms have been agreed as set out in the Part B report and these are in line with the external valuation and are conditional on the developer obtaining a suitable planning consent. Due to the urgent need for this development the developer has already commenced the design and planning application process at risk.
- 4.5.5 The terms agreed are for the freehold disposal of the site subject to the requirement for a health centre to be built on the site.

4.6 Former HRA Garage site, Windmill Road

- 4.6.1 This is another BBB site that has not been taken forward due to viability issues. The site has a number of vacant garages that are in a poor state of repair at the edge of a local housing estate. The attached plan outlines the site location.
- 4.6.2 The site is subject to an easement permitting access to a development on the western side of the garage site which runs from the front to rear of the site which makes it extremely difficult for a third party to maximise the development potential.
- 4.6.3 Negotiations have taken place with the owner of the adjoining site and beneficiary of the easement as a special purchaser as they are best placed to bring forward any development and an offer has now been received that is at an acceptable level and a sale on this basis is recommended.

4.7 Scout Hut , Peppermint Close, Waddon

- 4.7.1 This is a small site located in a residential area and provides a former scout hut which was vacated by the scout group 2 years ago. It is in a poor state of repair and needs various urgent repairs and improvements especially to the services to allow continued long term use. At present the property is being used on a temporary basis by a local faith group at a very low rental who are interested in purchasing the property to allow them to carry out repairs to secure its long term use.
- 4.7.2 The current community use is likely to preclude it from becoming a redevelopment site for housing purposes under the current planning policies and therefore the only real alternative is for continued community use. If the Council retain the asset it would have to invest in replacement of the services and carry out other repairs if a longer term use were considered and it is unlikely that any significant rent would be achieved due to the size and nature of the building.
- 4.7.3 The offer received from the existing users is considered to be an acceptable one and reflects their current occupation and use of the property and a higher offer is considered to be unlikely if formerly marketed as demonstrated by the independent valuation that has been undertaken.

4.8 Grant of lease for Heathfield House, Coombe Road, Croydon

- 4.8.1 Heathfield House is currently used as a training centre by the Council. However, this has now been identified as one of the assets that can be disposed of as it is not being fully utilized and is expensive to maintain and manage. The Council now uses other delivery methods for training staff and therefore the demand for this space is likely to further decrease.
- 4.8.2 Consideration has previously been given to use of the centre as a wedding venue but due to the size of the rooms and the listed building status limiting potential alterations this has not proved to be viable, especially due to the alternative established wedding venues within the immediate area.
- 4.8.3 During the pandemic, the property has been utilised by Cressey College as an additional facility for the provision of education for SEN pupils within Croydon. They have found the property to be beneficial for this type of provision and therefore discussions have been ongoing about the possible long term use. This has resulted in a conditional offer being received for a lease for a 20 year term based on an FRI lease with the tenant being responsible for certain improvement works. The rent agreed is in line with that provided by external valuers to demonstrate that this is in line with the current market rental expectations.
- 4.8.4 The letting will incorporate a small area of the public open space immediately surrounding the building which is delineated on the attached plan. As this involves the disposal of public open space a Notice has been placed in the Croydon Guardian to inform the public of the Council's intention. This was placed for two consecutive weeks commencing 17 June 2021 with a deadline for comments by 8 July 2021.

- 4.8.5 As the comments will only be received shortly before the Cabinet meeting it has been requested that the decision to grant the lease is delegated to the interim Executive Director Place and Cabinet Member for Croydon Renewal to allow proper consideration of the comments received prior to the decision being made.
- 4.9 In line with the agreed governance, all the above proposed disposals have been referred back to ELT, the Cabinet Member for Resources and Financial Governance and Cabinet in line with the Financial Regulations as they related to disposal of assets.

5. CONSULTATION

- 5.1 External consultation has taken place for the letting of Heathfield House as referenced above.
- 5.2 Ward councilors have been informed of the intention to dispose of these assets and consultation has taken place with members and the Council's senior leadership team and Cabinet Members.

6. PRE-DECISION SCRUTINY

- 6.1 The proposed strategy has been presented to Scrutiny and their recommendations have been followed as part of the disposal process

7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

7.1 Revenue and Capital consequences of report recommendations

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 of the assets.

The capital expenditure incurred to decant some of these corporate properties, relocate staff to existing accommodation and adaptations of existing properties is factored in the net capital receipts in the table below. The running costs of these properties i.e. business rates, premises costs (cleaning, security, utilities etc) will be reduced, net of the loss of rental income streams is taken into consideration in the revenue savings in the table below.

The decision to dispose of an asset will consider 'best consideration' i.e. delaying a disposal if the outcome is more beneficial with respect to its market price so the Council is able to maximise its capital receipts.

7.2 The effect of the decision

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

The capital receipts above will save the Council borrowing costs and interest repayment over the term of the borrowing. An assumption has been made that the cash receipt could replace borrowing over 20 years which incurs annual interest costs and a minimum revenue provision.

7.3 Risks

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. Although offers have been received in line with the Part B report and summarized in the table above, there is a risk that some of the offers may not complete especially as it is noted that two are conditional offers.

7.4 Future savings/efficiencies

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

Approved by: Geetha Blood Interim Head of Finance for Place, Gateway, Strategy and Engagement

8. LEGAL CONSIDERATIONS

- 8.1 The Head of Commercial and Property Law comments on behalf of the 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).

- 8.2 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.
- 8.3 As set out earlier in the report, where land considered for disposal forms part of an open space before disposing of the land the Council needs to publicise the intention to do so for two consecutive weeks in a local newspaper circulating in the area in which the land is situated, and consider any objections to the proposed disposal which may be made.

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

9. HUMAN RESOURCES IMPACT

- 9.1 The majority of the proposed disposals are for vacant properties and therefore have no direct impact on staffing levels, restructuring or recruitment. However, the letting of Heathfield House will impact on the delivery of staff training and therefore a different service delivery model will need to be developed. This is already taking place to some extent with the greater use of e-learning and therefore the impact is not considered to be significant compared to the potential wider corporate benefits.

Approved by:Sue Moorman, Director of Human Resources

10. EQUALITIES IMPACT

- 10.1 Where the sites comprise of vacant land or buildings the disposal will not impact individual’s rights. The Equalities Analysis is used to inform the final decision to identify any impact on the changes on groups that share protected characteristics, evidence how we arrived at decisions that affect council staff, local people who use our council services and the wider community and help us to comply with the requirements of the Equality Act 2010.
- 10.2 An equalities impact assessment will be undertaken for individual disposals to ascertain the potential the impact they will have on groups that share protected characteristics.

Approved by: Yvonne Okiyo Equalities Manager

11. ENVIRONMENTAL IMPACT

- 11.1 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. In many cases the sale of redundant buildings and land will lead to new development that will enhance the local areas and lead to improved building and energy efficiency.

12. CRIME AND DISORDER REDUCTION IMPACT

- 12.1 The disposal of vacant sites and redundant buildings should help to improve antisocial behavior and crime around the sites as the buildings and sites will either be re-used or redeveloped.

13. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 13.1 The recommendations within this report are in line with the adopted Interim Asset Disposal Strategy and are being taken in a considered and transparent disposal process that is in line with governance expectations
- 13.2 The disposals will help to secure a significant capital contribution and annual revenue saving and will be helping to meet the requirements set out in the MTFS.
- 13.3 In addition to the financial benefits the disposals will help to deliver wider social benefits through helping to support partner organisations to secure a new Health Centre and enhanced SEN school provision.

14. OPTIONS CONSIDERED AND REJECTED

- 14.1 As the disposals are in line with the Interim Property Strategy there is no real alternative but to dispose of the assets. Failure to do so would not help the Council to address the immediate financial position and the requirements of the MTFS
- 14.2 Consideration has been given in each case to wider alternatives either through different forms of marketing or potential uses. In all cases the options being put forward are considered to be the most suitable both from a financial, timing and wider benefits perspective. For all te outright disposals there is an element of special purchaser which has helped to secure offers at or in excess of the external valuations.
The disposals are therefore recommended

15. DATA PROTECTION IMPLICATIONS

- 15.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

15.2 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.

BACKGROUND DOCUMENTS:

Location Plans for :

- Part CALAT site Malcolm Road Coulsdon
- Garage Site at Windmill Road
- Scout Hut, Peppermint Close
- Heathfield House lease