

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:	Jane West, Corporate Director Resources and S151 Officer
CABINET MEMBER:	Cllr Stuart King Deputy Leader and Cabinet Member for Croydon Renewal Cllr Callton Young Cabinet Member for Resources and Financial Governance
WARDS:	New Addington South
COUNCIL PRIORITIES 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 two Council assets in line with the Interim Asset Disposal Strategy. The proposal will deliver further capital receipts. The disposals are part of the wider disposal strategy and will significantly contribute towards the assets disposal target in the MTF5. All disposal costs, including a contribution towards officer time will be paid for out of capital receipts 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.: 1322RFG (Community Centre) and 1522RFG (90 Central Parade)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 former Addington Community Centre and the former Social Services building, 90 Central Parade, New Addington	

1.2 Approval to a downward price variation of up to a maximum of 10% and minor variation to the terms of the agreement for each disposal without having to refer the matter back to Cabinet to allow for some minor changes during the disposal process as further due diligence is undertaken. Any variation in price would be subject to approval of the Corporate Director Resources and s151 Officer

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 As part of the recent capitalisation direction, the Improvement Panel and Government Ministers have made it very clear that they expect the Council to dispose of surplus assets where appropriate to help support the current financial position. By generating capital receipts, borrowing to support the capitalisation direction can be reduced and thus prevent pressures on the Council's revenue budgets.
- 2.3 The properties included within this report have been identified as surplus within the context of the disposal strategy and were included in the initial 2021/22 tranche within the Strategy.
- 2.4 The above proposals have followed the governance process as set out within the strategy and has been approved by Sustainable Communities, Regeneration and Economic Recovery DLT and CMT.
- 2.5 The approved business cases are attached as a background paper in the Part B report

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 disposals included within this report fall within the following categories :
- Surplus assets released by service area
 - Vacant Properties both General Fund and HRA
- 3.3 It has been recommended that a variance of up to 10% on the initial agreed purchase price or other minor amendments to the contractual terms are permitted before any disposal needs to be referred back to Cabinet. For many of the smaller or conditional disposals, the parties making the offers may not carry out as much due diligence around the legal title or site limitations. It may therefore be the case that matters become apparent during the legal process that could impact on the value or general terms for the site. On the basis that such conditions are likely to impact the general value of the site it is considered realistic to look at the financial impact and agree a lower figure as may be necessary. Such a reduction will only be considered where it impacts the general value of the asset rather than for the specific user unless even with any agreed reduction the preferred bidder still clearly offers the best option in terms of securing best consideration for the asset disposal and would therefore not be in breach of the requirements of s123 of the Local Government Act 1972

4. DETAIL

- 4.1 Both of these sites have been included within a Masterplan that was drawn up to help deliver a more comprehensive regeneration for the Central Parade area. This identified the need for both local amenities such as the new leisure centre (opened in January 2020), a new health hub and additional housing. Whilst the initial proposals suggested that the health hub could be incorporated within a multi-use building, this has proved not to be feasible due to cost and operational reasons. A considerable amount of work has been undertaken in looking at this initial option as the provision of this new hub is a fundamental part of the NHS out of hospital strategy. The Masterplan has not been formally adopted and was commissioned to clarify the nature and scale of development that could take place. Variance from the Plan is not therefore an issue in terms of planning policy.
- 4.2 The site is bordered by the established Town and Village Green which is likely to limit the wider redevelopment of the site. By combining the two sites the developer has been able to put together some outline massing plans that demonstrate that the proposed 2,000m hub building can be provided with around 30 car spaces
- 4.3 Due to the importance of this facility, the NHS have already secured funding for the development and due to the timescales it is now important that matters are progressed swiftly otherwise there is a strong chance that the available funding will be redirected to other projects due to the considerable time delays. Due to

the time pressures and strategic need for this new health hub in New Addington, the two sites have not been subject to formal marketing and a decision has been taken to look to sell the sites to the same developer who has been selected for the Coulsdon Health Hub site. This offers the most time efficient approach to delivering this facility and retaining the available NHS funding.

- 4.4 Formal Red Book valuations have been undertaken for both sites so that the agreed values can be measured against their estimated values so that best consideration can be demonstrated without the need to market. These valuations will reflect the values based on the current uses and alternative uses subject to likely planning constraints/risk. When considering values against the requirements of s123 of the Local Government Act 1972 consideration can be given to social benefits as well as the actual value considerations. In this case there are clear social benefits if the development of a new health hub comes forward and also helps to support a key priority identified by a key partner organisation that will benefit local residents.
- 4.5 The business cases is appended to the Part B report together with the independent valuations. As this property is not being marketed, the process on this occasion has not involved direct mailing of details to the main umbrella VCS groups including the CVA, Asian Women's Group, BME Forum and CNCA.
- 4.6 The timing of this transaction is critical if the existing NHS funding is to be retained. This is not seen to be detrimental as given the use and the way in which rents are assessed through the Valuation Office, these are not as market sensitive as other property transactions. However, the cost of building materials continues to increase and therefore entering into an option to purchase at this stage will not only help secure the NHS funding but is also likely to deliver a better capital receipt as costs will increase faster than the rents.
- 4.7 The proposal to enter into an option agreement conditional on the developer gaining the necessary planning consent and sign off from the CCG for their full business case will include provisions to ensure that, if the transaction proceeds, the developer will only be able to build a health hub and not sell the site on for alternative uses that might attract a higher value.
- 4.8 Based on the above it is considered that a disposal at this time will not unduly undervalue the assets and will have the additional benefit of delivering a much needed facility to help improve and support local communities and deliver savings in the Council's holding costs for the assets.

5. ASSET DISPOSALS

5.1 Addington Community Centre

- 5.1.1 The rear section of Community Centre was demolished to allow the construction of the new leisure centre and the previous tenant vacated in 2016/17. The building was then managed by the Council's FM team to allow

local community uses such as the indoor market but the centre was closed in January 2020 when the new Leisure centre opened and users were encouraged to rent purpose built community space within this new facility. Following the buildings closure it has been used on a temporary basis by the New Addington Boxing Club who currently have a lease until December 2022 but has flexibility for the Council to terminate at any point after June 2022.

- 5.1.2 The asset has not been previously declared surplus as it was a leased property. However, part of the decision to build the new leisure centre in line with the Master Plan was to allow the rationalisation of the existing assets within the area. The sale of the asset was approved as part of the initial Interim Disposal Strategy agreed by Cabinet in February 2021.
- 5.1.3 The existing building has a current community use (F1) and therefore given the current demand for such space it is likely that a community use would be retained for this site. It is possible that through marketing the site could be sold to a community group but that would underutilize the area and not encourage the redevelopment of the area.
- 5.1.4 The proposed sale to developers will lead to the regeneration of this site and the provision of a new 2,000sqm health hub including a new diagnostic centre greatly improving the current GP and minor injuries facility at Parkway and will also allow capacity for future demand and allow the provision of better out of hospital services.
- 5.1.5 The existing Parkway medical centre will be released and discussions with NHS property services have indicated that they will be looking to bring this forward for additional housing provision.

5.2 90 Central Parade

- 5.2.1 This site is situated adjacent to the community centre and is currently used by the Education Sensory team who visit schools across the Borough and deliver specialist programmes for children. The staff use the building as their central base and storage facility but spend a large part of the day out on site at schools and are therefore not locationally sensitive. The service will be relocated to an alternative site and work is currently underway looking at 4 potential sites so that agreement and any necessary modifications can be carried out in advance of any disposal
- 5.2.2 The property is a 2 storey 1960/70s office building that is currently being used as the base for the Education Sensory support team on the ground floor and there is a licence in place WCS on the first floor. This can be terminated at any time on giving 3 months notice and the occupiers are aware that they are likely to have to relocate. The building is of basic quality and due to its age and construction is likely to need substantial repairs and improvements over the next 5-10 years if it is to be retained
- 5.2.3 The property has not previously been declared surplus as it is still operational but it has been approved for disposal/redevelopment as part of the Interim Disposal Strategy and earlier regeneration project. Once a suitable alternative

location has been agreed with the service the premises will be declared surplus in line with the required governance process.

6. CONSULTATION

- 6.1 Earlier consultation events regarding the Masterplan proposals took place in 2018/19 to discuss the wider redevelopment which did include these two buildings. Consultation with the service area has been undertaken occupiers have been informed of the proposed disposal. Formal consultation with residents will take place as part of the pre-planning process for the proposed health hub.
- 6.2 Ward councilors have been informed of the intention to dispose of these assets. Consultation has taken place with the Council's senior leadership team and Cabinet Members.

7. PRE-DECISION SCRUTINY

- 7.1 The proposed disposals have not been presented to Scrutiny but recommendations made from previous scrutiny reports in respect of disposals have been incorporated where appropriate

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

8.1 Revenue and Capital consequences of report recommendations

Savings and Capital Receipts Included within the MTFS Budgets

Capital receipts generated from asset disposals (£000)

	21/22	22/23	23/24
Capital receipts	£48,183	£30,173	£2,896

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 or letting of the assets.

We are required to pay for the costs of the capitalisation directions out of revenue budgets over a twenty year period, which on a straight line basis would cost 5% per year. In addition interest on those borrowings from the PWLB is at a 1% premium – at current rates this costs this would add 2.9%. Overall this would equate to £790k per £10m borrowed. By generating capital receipts, borrowing to support the capitalisation direction can be avoided and thus prevent pressures on revenue budgets.

There will be some additional capital expenditure involved with these disposals to relocate the service but as this will be re-using existing Council owned

space, the costs are not expected to be significant and in part offset by the lack of agents fees for these transactions. The running costs of these properties i.e. business rates, premises costs (cleaning, security, utilities etc) will further benefit the Council

The decision to dispose of an asset will consider the need to receive the benefits now, against a possible delayed sale when the financial benefit may be greater but less certain as usually this is dependent on obtaining suitable planning consent. This has been considered in respect of these disposals and it is not considered that a disposal of the assets at this time will significantly impact value.

8.2 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. The capital receipts in the table above reflects an element of prudence and conservatism in the receipts of disposal and its timing. However, it must be emphasised that these asset values are subject detailed market valuations and market conditions prevailing at the time of sale.

8.3 Future savings/efficiencies

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

Approved by Matt Davis Interim Deputy s151 Officer

9. LEGAL CONSIDERATIONS

9.1 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).

9.2 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 Strategy seeks to ensure that consideration is given as to potential other Council uses of land before it is recommended for disposal.

Kiri Bailey, Interim Head of Commercial and Property Law on behalf of the Interim Director of Legal Services

10. HUMAN RESOURCES IMPACT

- 10.1 The proposed disposal allows for the relocation of staff currently using the property and therefore has no direct impact on staffing levels, restructuring or recruitment.

Approved by: Gillian Bevan Head of HR Resources

11. EQUALITIES IMPACT

- 11.1 Under the Equality Act 2010 the Council has an obligation to protect **people against discrimination, harassment or victimisation in employment**, and as users of private and public services based on nine protected characteristics: The proposed disposal comprises of the former Addington Community Centre (ACC) and an office building at 90 Central Parade which is currently used by the Schools Sensory Impairment team. The ACC was vacated by the former tenants and partially demolished as part of the new leisure centre works. The ACC was initially vacated by the former tenants, the ACA in 2016, and the building was managed by the FM team to facilitate general community use up until its formal closure at the end of 2019. It has since be re-used on a temporary basis for the Boxing Club that required a temporary home following the closure of Timebridge Centre.

The new Leisure Centre which opened in January 2020 provides two halls with a total capacity of 300, ancillary rooms and café facility. This space is available to hire and is now used by many organisations. This, together with the new Fieldway Centre provides good quality and more accessible accommodation for community groups within New Addington.

In respect of 90 Central Parade this is used as offices by the Council's Educational sensory team. This team are not location sensitive and do not run the service to clients from the building but go out to visit schools. Their relocation is therefore unlikely to impact on any protected groups and may well improve accessibility for staff depending on the final location.

The sale of this site is to allow the provision of a new health facility which is likely to include a diagnostic hub and will considerably improve healthcare facilities to local residents.

- 11.2 An equalities impact assessment has been undertaken for these asset disposals collectively, and the action being taken to offset the impact on affected protected groups is noted.

Approved by: Denise McCausland Equality Programme Manager

12. ENVIRONMENTAL IMPACT

- 12.1 The proposed disposals and redevelopment of these two sites is likely to have a beneficial environmental impact. Any new development will utilise modern materials and be required to meet the current environmental standards and will therefore be more efficient in use.

13. CRIME AND DISORDER REDUCTION IMPACT

- 13.1 The disposal of the two buildings is likely to help to improve antisocial behavior and crime due to the better design and layout of the proposed new buildings. The buildings will also be used more widely throughout the day and therefore reduce the opportunity for antisocial activity.

14. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 14.1 The assets are currently being underutilised, are expensive to run and likely to need expensive repair and maintenance in the medium term. Due to the age and nature of the buildings, they will not meet the more challenging Energy Performance requirements without substantial investment and therefore would become unlettable. The disposal will therefore not only produce a capital receipt but offer longer term revenue savings.
- 14.2 In addition to the financial benefits the disposals will help to deliver wider social benefits through potentially delivering essential new facilities and allow the development of new housing within the local areas both within the Council owned and NHS space.
- 14.3 It is essential that the disposal is secured as early as possible to ensure that the current capital grant secured by the CCG can be retained. Without this the scheme is not viable at the current levels and this would significantly impact the capital receipt.

15. OPTIONS CONSIDERED AND REJECTED

- 15.1 The disposal of these assets is in line with the process set out in the Interim Property Strategy and the sites have already been included within the proposed disposal lists for 2021/22. They are either surplus or not being efficiently used and therefore disposal is the best option. Failure to do so would not help the Council to address the immediate financial position and the requirements of the MTFS.
- 15.2 The alternative options are to:
1. Continue to use the properties for their current uses in the short term and look to sell in the future or hold the asset and try and gain planning consent for a more beneficial use. It is not considered that this will maximise their value as the rental income is very limited from the current uses and repairs and

maintenance work would certainly be required to address known issues at the ACC in the short to medium term. The income received from the occupiers is far less than the outgoings and therefore this option would not reduce the Council's revenue liabilities.

2. Try and gain a higher value through obtaining planning consent for an alternative use, given the previous work undertaken by the Regeneration Team it is clear that a mixed housing and health hub development is not financially viable. Given the existing community use for part of the site it is very unlikely that a pure housing development would be granted consent.

3. Sell the existing properties unconditionally. This may deliver a very similar capital receipt but it is likely that the existing community building would be retained and therefore not lead to the regeneration of the area as the current space layout would suit likely purchasers and they would not necessarily have the funds to carry out improvement works. This would also not offer the proposed benefits of having a new medical hub and diagnostic facility within this central location

15.3 The disposal of both sites for the proposed redevelopment is therefore recommended

16. DATA PROTECTION IMPLICATIONS

16.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

16.2 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.

APPENDICES TO THIS REPORT: Equalities assessment

BACKGROUND DOCUMENTS: Location Plan for the combined site