

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:	Richard Ennis, Interim 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:	Various
<p>COUNCIL PRIORITIES</p> <p>Croydon Renewal Plan – the recommendations in this report are in line with the new corporate priorities and new way for renewing Croydon</p> <p>Medium Term Financial Strategy</p>	
<p>FINANCIAL IMPACT</p> <p>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 MTFs.</p> <p>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.</p>	
<p>FORWARD PLAN KEY DECISION REFERENCE NO.: Goldcrest (3521RFG), Former Buffer Bear Nursery Site (3221RFG) 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.</p>	
<p>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</p> <p>1. RECOMMENDATIONS</p> <p>Cabinet Member for Resources and Financial Governance in consultation with the Leader agrees the following:</p> <p>1.1 Approve the disposal of the former Goldcrest Youth Centre</p> <p>1.2 Approve the disposal of the former Buffer Bear Nursery site</p>	

1.3 Approval to a downward price variation of up to a maximum of 10% for each disposal without having to refer the matter back to Cabinet to allow for some minor value changes during the disposal process as further due diligence is undertaken. Any variation in price would be subject to approval of the Interim 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 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.
- 2.3 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.
- 2.4 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 is permitted before any disposal needs to be referred back to Cabinet. For many of the smaller disposals, the parties making the offers may not carry out as much due diligence around the legal title or site limitations as for larger sites where bidders have access to better professional advice. It may therefore be the case that matters become apparent during the legal process that could impact on the value of 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 SHW were selected to market all the smaller disposal sites following a tender exercise run through the Buying Team. An initial marketing report was received for each site with a recommendation as to the best marketing option and approach. All assets are initially being considered for sale on an unconditional basis.
- 4.2 Where assets have less straightforward use or development options such as the former nursery site, further advice has been obtained from the planners to provide some guidance to prospective purchasers as to what may be possible to try and maximise value. If offers received suggest a much higher value if planning is secured, consideration for delayed completion or a conditional sale may be more appropriate than an unconditional sale.
- 4.3 All properties have been independently valued and fully marketed to be able to demonstrate that best consideration has been achieved through this process. The individual business cases are appended to the Part B report together with the independent valuations. Part of the marketing process has involved direct mailing of details to the main umbrella VCS groups including the CVA, Asian Women's Group, BME Forum and CNCA but no offers have been received through any of these groups.
- 4.4 As part of the decision to market the assets now, consideration has been given as to whether this is the correct time to sell them in order to obtain best value. Whilst it is clear that the sale of assets is required to help meet the demands of the Council's current financial requirements to support the MTFS and under the capitalisation directive, it must be demonstrated that this will not impact on obtaining best consideration for them.
- 4.5 Detailed consideration has therefore been given to the current market conditions for both residential development and disposals within the Community use sector. In respect of residential sites, the demand for good development opportunities remains high as house prices and rental levels within the private

sector have continued to grow. Over the next five years the average house prices are expected to increase by 21.6% although the increases are predicted to tail off over years 3-5, especially within the south east, with the highest increases being predicted for this year.

- 4.6 The market is also witnessing large increases in building material and labour costs as a result of shortage of supply due to the impact of the Pandemic and Brexit and an increase in demand. Material prices rose by 5.6% in the year to Q1 2021 and are forecast to increase by 7.2% in the year to Q2 2021, according to BCIS Materials Cost Index. Despite the current strength of the residential market, cost inflation will continue to impact the sector, especially as increasing costs to meet building regulations under the Future Homes Standard come into effect from 2022 and pressures on better design are introduced under the National Model Design Code.
- 4.7 Given the combined impact of the increase in residential values being offset by the considerable increase in build costs and tender prices it is considered unlikely that any significant change in overall market values for residential developments will occur over the next few years.
- 4.8 The marketing of the community assets has demonstrated that there is a very keen interest in such opportunities within the community, and in particular the faith sector for larger venues as these are generally in short supply. This sector of the market is likely to be less influenced by wider market activity as it is more demand driven.
- 4.9 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 new uses to help improve and support local communities and deliver savings in the Council's holding costs for the assets.

5. ASSET DISPOSALS

5.1 Goldcrest Youth Centre

- 5.1.1 Until the start of the Pandemic this was an operational asset with two regular hirers. However, over this period the premises have been shut down and are currently not being utilised. With the completion of the new Fieldway Centre (approximately 1.2km away) it was always proposed that the Council based youth operations would be run out of the new premises where there is a dedicated youth services area. The two previous hirers have also been encouraged to hire space within the new facility once they return to full operation. Both have now fully vacated the premises and returned their keys and are aware that the site will no longer be available.
- 5.1.2 The asset has not been previously declared surplus as it was operational. However, part of the decision to build the new centre was to allow the rationalisation of the existing community assets within the area. Closure of the facility ready for disposal was agreed at CFE DLT on 19 January 2021. CMT also agreed to its inclusion with the initial Interim Disposal Strategy

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

- 5.1.3 The property is located on a substantial corner site and is predominantly a purpose built youth building with two halls, kitchen lounge area and separate offices. There is limited parking but potential for additional spaces to be created. In total the site is approximately 0.2ha. The building is dated with a large shallow pitched and felted roof. The current use falls within class F2 (Local Community Use) which is likely to limit potential development opportunities unless it can be proved that there is no viable community demand.
- 5.1.4 SHW commenced the marketing of the site through their mailing list of residential developers and F1 use occupiers, together with any direct contacts that had been made to the Council, on the 22nd September 2021 and subsequently resent the particulars on the 6th October 2021 together with notification of the tender deadline date. 10 parties viewed and downloaded the documents within the data room, and 3 viewing dates were set up at the property which were attended by 8 parties. Best bids were received on the 20th October 2021. The 3 highest offers have been detailed within Part B of this report.
- 5.1.5 The marketing process has involved direct mailing of the main umbrella VCS groups including the CVA, Asian Women's Group, BME Forum and CNCA but no offers have been received through any of these groups.
- 5.1.6 As a result of this process, the top 3 bids have all been received from community faith organisations and as all 3 bids are very similar, consideration has been given as to the wider benefits that each group could provide to the local community. Local ward councillors and representatives from residents groups have therefore been provided with the proposals that have been submitted by each bidder to assist with this process.

5.2 Former Buffer Bear Nursery site

- 5.2.1 The site is situated within an established residential area and was last used as a children's day nursery but that use ceased about 10 years ago and the building was demolished in 2019 due to its poor state of repair and ongoing anti-social behavior experienced on site. At present the site only has pedestrian access between 2 residential properties.
- 5.2.2 The site comprises of a generally sloping triangular plot of approximately 0.15ha. The site currently has a pedestrian only access between existing residential properties but agreement has been reached with the Housing team to create a vehicular access from Matthews Crescent. This will involve the loss of 2 parking spaces but this is not considered a problem as there is no parking stress in the immediate area which is characterized by small bungalows occupied by older residents which have not been subject to right to buy.
- 5.2.3 Given the previous community use for the site, formal planning advice has been obtained and made available as part of the marketing process to help try and secure the best possible bids. As the potential use/development of this site is a little more uncertain than some of the other sites that have been marketed, both

conditional and unconditional bids have been requested. Following the formal marketing process, all bids received have been on a conditional or delayed completion basis. Whilst a conditional bid offers greater risk, for this site it has resulted in much higher offers having been received than anticipated and therefore proceeding on this basis is recommended.

5.2.4 The marketing for the site was commenced by SHW through the distribution of property details to their mailing list of residential developers and key community groups on the 8th September 2021, 27th September 2021 and 30th November 2021. A mail out was subsequently resent on the 16th December 2021 and 5th January 2022 to advertise the tender deadline date. Eleven parties viewed and downloaded the documents within the data room. Final offers were invited by 12pm Monday 10th January 2022 and four offers were received.

6. CONSULTATION

6.1 External consultation has taken place in respect of the Goldcrest site through meetings with the local ward councilors and local residents groups to try and consider fully the potential benefits that each of the bidders may offer the local community.

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	£4,230	£19,994	£5,988

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 has been no additional capital expenditure involved with these disposals as the service relocations had already taken place. 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 to detailed market valuations and market conditions prevailing at the time of sale.

The marketing exercise has generally demonstrated that there is still very good demand for this type of asset from both developers and community organisations and the values achieved have exceeded the valuations in all cases. This would suggest that the disposal of these assets at this point in time has secured best consideration.

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 The Interim Head of Commercial and Property Law comments on behalf of the Interim Director of Legal Services 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).

- 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 is for a vacant 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 vacant land and buildings or assets that have been vacated by services and declared surplus and therefore the disposal will not have a direct impact individual's rights. Although the disposal of Goldcrest removes a facility for the provision of youth and wider community activities in one of the boroughs key areas of need, this has been mitigated by the provision of the new Fieldway Centre which offers more modern and accessible accommodation. This is proving to be popular with a good range of activities currently being run from the new centre. The disposal of the former nursery site is not considered to impact on individuals as the property has not been operational for 10 years. The proposed redevelopment of the site will enhance the local area and, potentially provide better facilities for people with protected characteristics through, for example new adapted housing or additional affordable homes.
- 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 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.

13. CRIME AND DISORDER REDUCTION IMPACT

- 13.1 The disposal of the vacant site and redundant buildings will help to improve antisocial behavior and crime that has been evident around this site as it will become an active site.

14. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 14.1 The assets are all surplus to current Council requirements and if retained are therefore likely to remain vacant which will lead to increased revenue pressures to ensure they are properly secured and through the payment of Business Rates as they will only be eligible for a 3 month rate free period.
- 14.2 Holding vacant assets also has a detrimental impact on the surrounding area and can become a magnet for antisocial behaviour and fly-tipping as has been the case with the former Buffer Bear nursery site. Consideration has been given to letting rather than disposing of Goldcrest but this is likely to deliver fairly modest levels of rental income and therefore this is not an attractive option.
- 14.3 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.
- 14.4 In addition to the financial benefits the disposals will help to deliver wider social benefits through potentially delivering new housing and community assets within the local areas.

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 all surplus as no alternative Council use has been identified 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 only other options are to either let the properties to generate income or look to sell in the future or hold the asset and try and gain planning consent for a more beneficial use. In respect of the former it is not considered that this will not maximise their value. Regarding the option to try and gain a higher value through obtaining planning consent for an alternative use, this is being reflected

in the decision for the Buffer Bear site through accepting delayed completion to obtain a higher value from the bidder. The level of offers that have been received have both exceeded the Red Book valuations which supports the belief that additional value for any alternative uses has already been factored in to the offers.

15.3 The disposal of both sites 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 Plans for:

- Goldcrest Youth and Community Centre
- Former Buffer Bear Nursery site
- Interim Disposal Strategy