

LONDON BOROUGH OF CROYDON

REPORT:	Cabinet
DATE OF DECISION	4th December 2024
REPORT TITLE:	Progress update on tranche 1& 2 asset disposals, seeking approval for tranche 3 of asset for disposal PART A
CORPORATE DIRECTOR / DIRECTOR:	JANE WEST, CORPORATE DIRECTOR OF RESOURCES AND S151 OFFICER
LEAD OFFICER:	HUW RHYS LEWIS INTERIM DIRECTOR COMMERCIAL INVESTMENT & CAPITAL
LEAD MEMBER:	COUNCILLOR CUMMINGS, CABINET MEMBER FOR FINANCE
KEY DECISION? 7923EM	Yes – Financial Implication Criteria - over £1m. 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.
CONTAINS EXEMPT INFORMATION?	<p>PART A Public</p> <p>Appendix 1 Schedule of tranche 3 of proposed properties for disposal</p> <p>Appendix 2 Equalities Impact Assessment (EQuIA)</p> <p>PART B – Exempt Public with exempt Part B report</p> <p>Grounds for the exemption: 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> <p>Appendix 1 Schedule of tranche 3 of proposed properties (without current book values) for disposal</p> <p>Appendix 2 – Summary of Car Parks sites with likely sale values based on potential of development sites for housing led schemes (Part B)</p>
WARDS AFFECTED:	VARIOUS

SUMMARY OF REPORT

- 1.1** The Council's challenging financial position requires it to review its assets regularly and only hold those assets in its ownership that are vital for service provision. The Council has existing targets for asset sales of £50m in 2023-24 and £50m for 2024-25 and a potential of £32m for 2025-26. By increasing and bringing forward asset sales, further financial savings can be achieved within the Council's annual budget by using the capital receipts achieved to repay the Council's outstanding borrowing which in turn reduces its annual debt charges.
- 1.2** This report provides an update on progress on asset disposals against the tranche 1 & 2 schedule of properties as listed in the approved May and December 2023 Cabinet report. Part A of this report sets out the financial details in relation to progress of sales to date and also tranche 3 details.
- 1.3** The report goes on to seek approval to dispose of tranche 3 of properties as listed in this report. Part B of this report sets out the estimated book values of the sites in question.
- 1.4** The tranche 1 and tranche 2 disposals schedules replace the Annual Assets Disposals Plan approved by Cabinet in November 2022.

2 RECOMMENDATIONS

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

- 2.1** To note the progress made on tranche 1 and 2 disposals.
- 2.2** To approve tranche 3 of sites for disposals as set out in Appendix 1 of this report together with indicative book values as set out in exempt Part B Appendix 1.
- 2.3** To delegate authority to the Corporate Director of Resources and s151 Officer to agree the terms and final price for each disposal included within tranche 3.
- 2.4** The delegations in this report shall only be exercised following:
- i. sign off of a business case/ financial assessment by the Corporate Management Team (CMT)
 - 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.
- 2.5** To note that the target value for disposals for tranche 3 and that disposals of tranche 3 assets will commence immediately alongside tranche 1 & 2 disposals.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The tranche 3 disposal list supports the requirements of the now renamed Ministry of Housing, Communities and Local Government (MHCLG), previously known as Department of Levelling Up, Housing and Communities (DLUHC), and the Improvement and Assurance Panel through the generation of capital receipts to facilitate a reduction in capital borrowing and associated annual revenue borrowing costs in line with the requirements of the Exit Strategy, recently published by the Improvement and Assurance Panel.
- 3.2 The disposal of assets in a timely fashion will reduce borrowing requirements as required by the Council's MTFs. The more commercially proactive approach for future disposals recommended in this report will assist the delivery of the required asset sales by delegating authority to officers to agree final terms so that sales are not held up with a need to return to Cabinet.

4 BACKGROUND AND DETAILS

- 4.1 The Council has an underlying General Fund debt of £1.4billion. One of the key focus areas for Council is to reduce this debt by seeking to dispose of non-essential assets and property held by the Council.
- 4.2 A list of potential disposals was put forward as part of the Medium-Term Financial Strategy 2023/24 to 2025/26 Update report to Cabinet in November 2022. Subsequently further assets were added to the potential disposals list culminating in the tranche 1 list of disposals which was approved by Cabinet in May 2023 and a tranche 2 in December 2023. Further work has been undertaken to again review all assets held by the Council which has resulted in the tranche 3 disposals list which is recommended for approval in Appendix 1 Part A (and Appendix 1 of the Exempt Part B report which includes indicative book values).
- 4.3 The Council has appointed Boston Consulting to prepare and propose a new Target Operating model (TOM) for the Council. The anticipation is that may result in additional properties/ assets as being designated as surplus which could form the basis of a tranche 4 disposals list which will be brought back to Cabinet for approval once agreed.
- 4.4 For all properties that have a tenant with current leases in place, the sale will be subject to the terms of that lease continuing in order to provide the existing tenants with certainty for the remaining period of the lease. All existing tenants will be contacted prior to the formal marketing of any property to ensure that they understand the process and give to them an early 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 sale being progressed following marketing where this is considered appropriate.

4.5 In order to determine what additional assets the Council could potentially dispose of the Council established a Property Transformation Board. This Board has oversight on all property and asset matters across the Council including;

- Disposals
- Adult and Children services
- Regeneration
- Community hubs
- Libraries service review
- Community and Family Hubs
- Housing
- Educational
- CAT opportunities
- Parks
- waste management
- Car Parks
- Operational Properties (Corporate Landlord Function)

This was to ensure that all disposal opportunities were captured across the Council.

4.6 The sites in tranche 3 are more complex than those in tranche 1 & 2 as the Council moves on from 'easy wins' to the more challenging disposals, which in some case require decants and relocation of some tenants and Council staff and teams. The financial summary of progress is set out below by financial year.

Disposals update as at	20/11/2024				
	Actual 2021/2022 £'000	Actual 2022/2023 £'000	Actual 2023/2024 £'000	Forecast 2024/2025 £'000	Forecast 2025/2026 £'000
Disposals	£47,500	£22,994	£38,078	£51,460	£32,506
No of transactions	3	4	5	68	19
Estimated disposals					
Total of Disposals					£192,538
Estimated Disposals (Likley schedule 2022)					£232,000
Achieved as % of Target to date				65%	
Likely Disp					
BBB loan repayment	£2,065	£38,542	£5,000	£6,500	£0
Disposals to HRA	£0	£0	£0	£825	£0
BBB Disposals	£0	£1,634	£1,901	£38,000	£0
BBB disposals to HRA	£0	£0	£0	£2,071	£0
4	£49,565	£63,170	£44,979	£98,856	£32,506
CUMULATIVE TOTAL	£49,565	£112,735	£157,714	£256,570	£289,076
Forecast Disposal Total		£289,076			

Disposals update as at 20/11/2024	
Asset sales	000's
Cumulative disposal to end of 2023- 2024	£157,714
Disposals since April 1st 2024	
SOLD	£16,045
CURRENTLY UNDER OFFER	£11,695
BBB Disposals	£38,000
BBB Loan repayment	£6,500
BBB to HRA	£2,071
Total	£74,311
Cumulative disposal to 20/11/2024	£232,025
Total Forecasted to 2025/2026	£289,076
% achieved against total target	80.26%

Disposals update as at 20/11/2024					
NBV Analysis					
	Tranche 0	Tranche 1	Tranche 2	Tranche 3	TOTAL
	£,000's	£,000's	£,000's	£,000's	£,000's
Net Book Value total by tranche	£43,689	£99,919	£18,858	£3,106	£165,573
Sales actual	£75,469	£48,248	£900	£0	£124,617
Net Book Value of Sales	£42,659	£58,018	£644	£0	£101,321
Gain/(Loss) on Sales	£32,810	-£9,770	£256	£0	£23,296
Remaining unsold Net Book Value	£1,030	£41,901	£18,214	£3,106	£64,252
	Check ok	check ok	check ok	check ok	
Gain/(loss) sales over book value running total		23%			

4.13 By bringing forward the commencement of tranche 3 disposals – which would start immediately after Cabinet approval (subject to due diligence and any required consultation) and run in parallel with tranche's 1&2 – the Council is seeking to accelerate its delivery of asset sales. This change of approach aims to achieve the completion of tranche 1 and tranche 2 disposals by the end of March 2025. This approach increases the opportunity for the Council to reduce its borrowing costs, increasing its delivery of savings in 2024/25 and 2025/26.

4.14 Professional agents, auctioneers and RICS Registered Valuers are already engaged and providing advice on tranche 1 disposals and this involvement will continue into

tranche 2 and 3 disposals, to ensure that the most appropriate marketing and values can be achieved for the disposal of any asset in the open market.

5. CONSULTATION

- 5.1 The Improvement and Assurance Panel and MHCLG/ DLUHC have been consulted on the approach being taken by the Council in managing the asset disposal programme and approach.
- 5.2 Any required statutory consultation for any of the disposals will be undertaken, where relevant.

6. ALTERNATIVE OPTIONS CONSIDERED

- 6.1 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 and MHCLG/ DLUHC to deliver debt reduction by the Council.

7. CONTRIBUTION TO THE EXECUTIVE MAYOR'S BUSINESS PLAN

- 7.1 The disposal of assets will help deliver a key objective within the Executive 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.
- 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.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

An estimated £66m per annum is required to service debt from the General Fund which represents around 19% of the Council's net budget for 2024-25. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the

median English authority. The Council's historic legacy borrowing and debt burden is, therefore, critical to the non-sustainability of the Council's revenue budget.

General Fund debt at April 2023 was £1.4bn and with interest rates still high albeit reducing slowly 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.

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

Dialogue with MHCLG continues around options of further financial support from Government in regard to the level of structural indebtedness to ensure the Council can deliver sustainable Local Government services

Approved: Jane West Corporate Director of Resources and S151 Officer

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 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.
- 8.2.2 Where land includes open space, the Council must place an advertised notice in a newspaper circulating in the area for two consecutive weeks and must consider any objections received, pursuant to Section 123 (2A) of the Local Government Act 1972.
- 8.2.3 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.
- 8.2.4 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.
- 8.2.5 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.
- 8.2.6 Approved by Kiri Bailey, Head of Commercial, Housing & Litigation Law and Deputy Monitoring Officer on behalf of the Director of Legal Services & Monitoring Officer
26/09/24

8.3. HUMAN RESOURCES IMPLICATION

- 8.3.1 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 Business Partnering on behalf of the Chief People Officer 24/10/24

8.4 EQUALITIES IMPLICATION

- 8.4.1 An Equalities Impact Assessment (EQIA) has been undertaken and is included as an appendix in the Cabinet papers. The EQIA 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.

Comments approved by Ken Orlukwu, Senior Equalities Officer, on behalf of Helen Reeves, Head of Strategy & Policy on 18/10/24.

8.5 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: Huw Rhys Lewis Interim Director of Commercial Investment and Capital)"

8.6 PROCUREMENT IMPLICATIONS

- 8.6.1 The procurement of any selling/ marketing agents or advisors used by the Council for tranche 3 has been done using a combination of public procurement compliant frameworks and open tenders.

Approved by Scott Funnell Head of Procurement 16th October 2024

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

9 APPENDICES

Appendix 1 Schedule of tranche 3 of proposed properties for disposal (Part A)

Appendix 2 Equalities Impact Assessment (EQulA) (Part A)

Appendix 1 Schedule of tranche 3 of proposed properties (with current book values)
for disposal (Part B)

10 BACKGROUND DOCUMENTS

N/A