

LONDON BOROUGH OF CROYDON

To: Croydon Council website
Access Croydon & Town Hall Reception

STATEMENT OF EXECUTIVE DECISIONS MADE BY THE CABINET MEMBER FOR FINANCE AND TREASURY ON 23 FEBRUARY 2016

This statement is produced in accordance with Regulation 13 of the Local Authorities (Executive Arrangements) Meetings and Access to Information) (England) Regulations 2012.

The following apply to the decisions listed below:

Reasons for these decisions: are contained in the **attached** Part A report

Other options considered and rejected: are contained in the **attached** Part A report

Details of conflicts of Interest declared by the Cabinet Member: none

Note of dispensation granted by the head of paid service in relation to a declared conflict of interest by that Member: none

The Leader of the Council has delegated to the Cabinet Member the power to make the executive decisions set out below:

CABINET MEMBER'S DECISION REFERENCE NO. 14/16/FT

Decision title: Freehold Sale of Jeanette Wallis House

Having carefully read and considered the Part A and B reports and the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the reports, the Cabinet Member for Finance and Treasury in consultation with the Leader of the Council

RESOLVED to:

- 1.1 Agree that the Council sell its freehold interest in Jeanette Wallis House (JWH) to the South London and Maudsley NHS Foundation Trust on the terms detailed in the associated Part B report.
- 1.2 Agree that, for the reasons detailed in paragraph 3.6 of this report, the Assistant Chief Executive (Corporate Resources) and s151 Officer be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury to make any amendments to the terms of the sale of the freehold interest in JWH considered necessary to achieve completion of the sale.

- 1.3 Note that where any amendments are made under this delegation, the amended terms for the freehold sale of JWH will be published on the Council's website within 1 month of completion of the lease

Date: 3 March 2016

Part A For General Release

DELEGATED DECISION REPORT TO:	Cllr Simon Hall Cabinet member for Finance and Treasury
AGENDA ITEM:	Background paper to item 10.1 – Cabinet 22 February 2016
SUBJECT:	Freehold Sale of Jeanette Wallis House
LEAD OFFICER:	Richard Simpson Assistant Chief Executive (Corporate Resources) and s151 Officer
CABINET MEMBER:	Cllr Simon Hall Cabinet member for Finance and Treasury
WARDS:	Fairfield
CORPORATE PRIORITY/POLICY CONTEXT:	

FINANCIAL IMPACT
The letting will secure a significant capital receipt through freehold disposal and savings of approximately £450,000 pa in building running costs
FORWARD PLAN KEY DECISION REFERENCE NO.: n/a

The Leader of the Council has delegated to the Cabinet Member for Finance and Treasury the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet Member for Finance and Treasury is recommended to:

1.1 Agree that the Council sell it’s freehold interest in Jeanette Wallis House (JWH) to the South London and Maudsley NHS Foundation Trust on the terms detailed in the associated Part B report.

1.2 Agree that, for the reasons detailed in paragraph 3.6 of this report, the Assistant Chief Executive (Corporate Resources) and s151 Officer be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury to make any amendments to the terms of the sale of the freehold interest in JWH considered necessary to achieve completion of the sale.

1.3 Note that where any amendments are made under this delegation, the amended terms for the freehold sale of JWH will be published on the Council's website within 1 month of completion of the lease

2. EXECUTIVE SUMMARY

- 2.1 As part of the Council's Asset Strategy a review of the occupational office portfolio has been undertaken to maximise its use and revenue generating potential. Through this work the relocation of the staff and services from JWH has been identified as offering significant revenue savings for the Council.
- 2.2 This report seeks approval to sell the Council's freehold interest in JWH to the South London and Maudsley NHS Foundation Trust (SLaM)
- 2.3 The disposal will produce significant revenue savings for the Council of approximately £450,000 through rate savings and building running costs.
- 2.4 The proposed sale to SLaM has the additional benefit of facilitating the development of two other Council owned sites to allow the provision of a new secondary school and potential housing development. The terms that have been provisionally agreed after a prolonged period of negotiation and independent valuations have been obtained by both parties and the proposed disposal terms are considered to represent best value.

3. DETAIL

- 3.1 With the current financial pressures on the Council it is even more important that the use of the property assets are optimised and used to generate income or a reduction in running costs wherever possible. As part of the Council's new Asset Strategy, the Council's occupational portfolio has been reviewed to identify opportunities to release space.
- 3.2 Through adopting a more flexible approach to working and adopting a 3:2 desk ratio it has been identified that between 50-60,000sq ft of space could be released within Bernard Weatherill House (BWH). Work has started to undertake the necessary re-organisation of the location of existing teams to allow space to be released and this will take place on a phased basis to minimise disruption and multiple moves for the teams involved. In addition to the proposed letting of the 11th and 12th floors of BWH, part of the surplus space created will be used to accommodate the relocation of staff and services from JWH.
- 3.3 This relocation from JWH will form part of the phased release of space and will follow the letting of the upper floors with the relocation targeted to take place in the early summer 2016.
- 3.4 Detailed consultation has been undertaken with the service areas currently based at JWH. A series of interviews and workshops with the Heads of Service

and their teams have taken place to enable an agreed brief to be determined. This has addressed areas of concern and developed solutions to mitigate any adverse impact. This has resulted in an agreed design which meets both the requirements around customer facing facilities on the ground floor, including an independent entrance and a suite of new meeting rooms, as well as staff requirements for extra interview areas on the fourth floor. These works are scheduled to commence in mid-February and will be completed by the end of March .

- 3.5 The relocation of the JWH services will have a positive benefit as BWH offers more accessible accommodation with a wider range of facilities. Clients will also be able to access other teams or agencies more easily as they will all be within the same building offering a more joined up approach.
- 3.6 The contract for sale is due to exchange by the end of March and complete around May/June. The terms of the sale are detailed in the Part B report as they are commercially sensitive.
- 3.7 Although the terms have been agreed in principle it may be necessary to make minor amendments during the disposal process. Delegated authority is requested as part of the approval so that any minor changes can be dealt with swiftly. Any such amendments will not have a material impact on the overall financial benefits or contractual obligations to the Council
- 3.8 This disposal also helps release two other sites currently occupied by SLaM for redevelopment:
 - **Rees and Moreland House, Morland Road** – Although the majority of this site is Council owned, a significant part (Morland Clinic) is in the ownership of SLaM. Although the site has been designated for a new secondary school, without this element, the development is not feasible. The Clinic had been identified for refurbishment by SLaM to meet part of their office and clinical need in Croydon but with the purchase of JWH this is no longer necessary. Therefore as part of the agreed Heads of Terms for the sale of JWH, SLaM are required to sell Morland Clinic to the Education Funding Agency. This will allow the development of the free school to take and meet a key element of the Council's Education Estates Strategy.
 - **Tamworth Road** – SLaM currently occupy this building rent free under a service agreement as their main Croydon operational building. It is an old property which is no longer ideal for the delivery of such services and under the terms of the existing agreement the Council are liable for maintaining the building. The staff and clinical services will be relocated to JWH thereby releasing this building for conversion to residential units.
- 3.9 The terms for the freehold disposal reflect the benefit of the release of the Tamworth Road site.

4. CONSULTATION

- 4.1 Consultation with the relevant service teams has taken place and the impact on clients taken into account.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

1. Risks

The main risk identified is around the timings for the required capital works and the move date.

The works being undertaken prior to contracts being exchanged for the sale of JWH and therefore SLaM could pull out of the purchase removing the immediate need for the move. This is unlikely due to the identified requirement by SLaM for more office and clinical space in Croydon and the advanced negotiations that have taken place. Even if the sale did not proceed with SLaM there has been other interest in the building and therefore a disposal is still likely although some additional mothballing costs may be incurred

There is also a risk that SLaM may want to complete the purchase earlier than anticipated causing more pressure on staff moves within the building. As the physical works will be completed ahead of the anticipated date, the move could be accommodated but would potentially cause more inconvenience to the service with the possibility of temporary moves within the building

2 Options

This proposal is being put forward as an opportunity to contribute towards the Croydon Challenge targets. The two main options are:

Sale of the freehold to another purchaser -This would not allow the benefits of releasing the other two sites referred to in 3.8 above to be captured . The financial and operational benefits associated with the release of these sites is likely to be significant.

Letting the surplus space rather than selling – advice from local agents has been obtained regarding the letting potential for JWH. All have agreed that due to its location it is more likely that a series of smaller lettings with poor covenant strength rather than a lease for the whole is most likely. This would require considerable management and higher void periods are likely and therefore this could prove to be less beneficial. SLaM has confirmed that they are only interested in the Freehold purchase and not taking a lease for the property.

The space could be retained by the Council and not let but this would not meet the requirements to make best use of the Council's assets and it has been demonstrated through the staff engagement that the current numbers and work styles of staff allow the release of some space within the building. There are

also benefits in having the teams currently located in JWH integrated with the other children's services teams already in BWH.

3 Future savings/efficiencies

The sale of the freehold interest will make a significant capital contribution to the Capital programme and in addition the annual running cost savings will contribute towards the Croydon Challenge target. The future development or sale of the Tamworth Road site will also generate further receipts.

(Approved by: Richard Simpson, Assistant Chief Executive (Resources) and S151 Officer)

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Council Solicitor comments that in agreeing the basis of the disposal, the Council must be satisfied that it is receiving a fair market value for the lease. The best consideration test and requirements are set out in section 123 of the Local Government Act

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Director of Democratic & Legal Services)

7. HUMAN RESOURCES IMPACT

- 7.1 The opportunity to release space within BWH has been possible as a result of the review of staff work styles that has been undertaken and the Council's requirement to move towards a more flexible working environment which allows 3:2 desk ratios to be adopted. The letting of this space as outlined will compliment these changes

Approved by - Michael Pichamuthu on behalf of the Director of Human Resources

8. EQUALITIES IMPACT

- 8.1 The original equality impact assessment for the move into BWH is being updated as part of the overall Enabling our Workforce project. This will fully consider the impact both as a result of the changes to work styles and occupational space within the Council's corporate office accommodation. Consultation has taken place with the Workers Disability Group to ensure that the proposed changes, including the installation of access control arrangements for each floor will take into account the needs of all employees and will not impede access to any areas. The proposal to release the accommodation through the disposal of JWH is not anticipated to have any additional impact.

9. ENVIRONMENTAL IMPACT

9.1 The increase in the number of people within the building will be in compliance with all statutory requirements. The increased use of this space is not likely to have any environmental impacts and is more sustainable than providing new building to create the necessary space for the tenant to occupy

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There will be no impact on crime and disorder as a result of the letting.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

The sale of JWH will generate a significant financial contribution for the Council from both a capital and revenue perspective. The relocation of the service within the building will help develop a more integrated department with all children's services functions being located on one floor.

12. ALTERNATIVE OPTIONS CONSIDERED

The only alternative option would be to reject the agreed terms on the grounds that they did not represent value for money, compromised the service delivery or the Council require the space for their own purposes. The detail provided in the body of the report demonstrates this is not the case,

**CONTACT OFFICER: Steve Wingrave Head of Asset Management and Estates
ext 61512**

BACKGROUND PAPERS: none