

Meeting Name:	Cabinet
Date:	15 October 2024
Report title:	Disposal of Freehold at Westminster Bridge Road, SE1 7XW
Cabinet Member:	Councillor Stephanie Cryan, Equalities, Democracy and Finance
Ward(s) or groups affected:	Borough and Bankside
Classification:	Open
Reason for lateness (if applicable):	N/A

FOREWORD - COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR EQUALITIES, DEMOCRACY AND FINANCE

We have a clear commitment to ensure that value for money across the council. The council are the freeholder of a vacant period office building in need of substantial capital investment, and which has significant holding costs which in turn creating substantial revenue pressures.

There is no operational requirement for the building within its commercial estate and this report asks cabinet to approve the disposal of the building in the market to generate a significant capital receipt.

Agreement has now been reached with a purchaser for the council to sell the freehold of the building on an unconditional basis.

The details of the proposal are contained in Appendix 1 of the Closed Report, which is exempt from publication due to its commercially sensitive content, amount to the sale of the freehold building for a significant capital receipt.

RECOMMENDATIONS

Recommendations for the Cabinet

That Cabinet shall:

1. Note the circumstances of the disposal of the freehold property and the actions and due diligence undertaken by officers and professional advisers
2. Approve the disposal of the freehold interest as detailed in the closed report.
3. Note the agreed heads of terms, price and disposal costs.
4. Delegate to the Strategic Director of Resources, advised by and in consultation

with the Director of Planning & Growth, authority to complete the sale of the freehold of the property including agreeing and finalising detailed transaction terms.

REASONS FOR RECOMMENDATIONS

5. There is no operational requirement for the building within its commercial estate of an asset in need of substantial capital investment, and which has significant holding costs which in turn creating substantial revenue pressures.

ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

6. Consideration was given to undertaking a full refurbishment of the building for letting commercially but was not considered appropriate in the current market.

POST DECISION IMPLEMENTATION

7. Dispose of the building

Key Activity	Target completion date
Completion of disposal	November 2024

BACKGROUND INFORMATION

8. The property is a vacant former office building which has been held as a commercial void for a considerable period. It is in a poor condition and would require substantial capital investment to bring it back into use. There are no identified operational requirements for the building, especially given its condition, physical layout, and period nature.
9. Whilst consideration has been given to a refurbishment and subsequent letting in the market to generate an income stream, this option, given the capital required is not considered appropriate or viable and as such it is recommend that the property is sold.
10. Knight Frank, a leading firm of Chartered Surveyors with substantial knowledge of the market were appointed to undertake the marketing of the premises and secure a purchaser.
11. Following the market period, a call for bids was made, for which several offers were received, leading to the recommendation of this transaction.

KEY ISSUES FOR CONSIDERATION

12. The property is considered unsuitable for retention within the council's operational or investment portfolio given the physical condition and nature of the building.
13. It is considered that the sale represents best value for the council and the capital receipt will help to fund the council's capital programme.

14. The sale will remove substantial revenue pressures from the council in respect of void holding costs including security and business rates.
15. It is confirmed that the price agreed represents market value and therefore the best consideration that can be reasonably obtained.

Policy framework implications

16. The sale of the building secures a significant capital receipt to support the council's capital programme.
17. In selling the property the council removes risk and ensures the void costs and liabilities are removed reducing revenue pressures.

Community, equalities (including socio-economic) and health impacts

Health impact statement

18. There are no health implications associated with the land transfer arrangements

Community impact statement

19. In formulating the recommendations of this report the potential impact on the Community has been taken into account, including people identified as having protected characteristics. No specific equality implications have been identified in relation to this report.
20. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010).
21. The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

Equalities (including socio-economic) impact statement

22. An Equalities Impact Assessment is not required in relation to this report, because this matter relates to a commercial investment transaction in respect of property held for income generation. There are no Human Resources or equality implications in respect of this proposal.
23. There are no environmental or net zero implications associated with the land transfer arrangements.
24. The decision to dispose of the property is believed to have minimal impact on

local people and communities. However, the capital receipt to be realised because of the transaction will assist with delivery of the council's corporate objectives, achieving its stated budget principles and working together with communities towards a 'fairer future for all'.

Climate change implications

25. There are no environmental or net zero implications associated with the land transfer arrangements.

Resource implications

26. There are no resource implications associated with the land transfer arrangements.

Legal/Financial implications

27. The financial arrangements of the transaction are set out in the exempt Appendix 1 of the closed report and confirm that the proposed arrangements are in line with market conditions and reflect the Council's fiduciary duty.
28. Based on advice, officers have agreed a sale price as set out in Appendix 1 Closed. This reflects market value and the balance of risk attributable to the transaction given the offers received during market testing.
29. The sale price agreed is unconditional enabling a swift transaction to occur and monies being received in the current financial year.
30. The disposal is supported by the statement in the closed report undertaken by Knight Frank.

Consultation

31. No external consultation has been required. Internal consultation has taken place with all relevant departments, including the provision of advice from Assistant Chief Executive, Governance and Assurance and Strategic Director of Resources.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Assistant Chief Executive, Governance and Assurance

32. Section 1 of the Localism Act 2011 introduced a "general power of competence" for local authorities, defined in section 1(1) as "the power to do anything those individuals generally may do" and which expressly includes in section 1(4)(b) the "power to do it for a commercial purpose or otherwise for a charge, or without charge" and section 1(4)(c) the "power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area". However, section 2(2)(a) states that power does not enable a local authority to do anything which it is unable to do by virtue of a pre-commencement limitation.

33. Section 123(1) of the Local Government Act 1972 states that “Subject to the following provisions of this section, a principal council may dispose of land held by them in any manner they wish” and section 123(2), “Except with the consent of the Secretary of State, a council shall not dispose of land under this section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained.”
34. Section 270(1), “In this Act, except where the context otherwise requires, the following expressions have the following meanings respectively, that is to say— “land” includes any interest in land and any easement or right in, to or over land”. Section 123(7)(a) states “For the purposes of this section a disposal of land is a disposal by way of a short tenancy if it consists — (a) of the grant of a term not exceeding seven years...”.
35. As this is a disposal of General Fund land and is being made using the powers within section 123(1)-(2) of the Local Government Act 1972, if it is “...for a consideration less than the best that can reasonably be obtained...” then the Council would need to rely on the Disposal of land for less than the best consideration that can reasonably be obtained: circular 06/2003 (“General Fund Consent”) or would need the consent of the Secretary of State (“SOS”).
36. The General Fund Consent removed the requirement to obtain the SOS specific consent for any disposal of General Fund land in specified circumstances, i.e. the disposal of any interest in land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area” and the disposal is “at less than best consideration is subject to the condition that the undervalue does not exceed £2,000,000 (two million pounds)”.
37. Note the General Fund Consent refers to “...the authority should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue”. Reference is also made the European Commission's State aid rules. After the United Kingdom left the European Union on 31 December 2020 these rules were replaced on 1 January 2021 with the UK’s international subsidy control commitments.
38. The report provided by Knight Frank, attached in the Closed Report confirms that the consideration is the best that can reasonably be obtained and the Report Author is satisfied that the premium is at best consideration and that section 123(1)-(2) of the Local Government Act 1972 has been complied with.

Strategic Director of Resources

39. This is a void commercial property, held in the General Fund, with no identified operational need or investment opportunity. A disposal generates a significant capital receipt to support the capital programme.
40. The financial implications are set out in Appendix 1 of the closed report and demonstrate a clear and immediate revenue benefit for the council.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Equalities, Democracy and Finance	
Lead Officer	Clive Palfreyman, Strategic Director of Resources	
Report Author	Mark Grant, Head of Property	
Version	Final	
Dated	7 October 2024	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive, Governance and Assurance	Yes	Yes
Strategic Director of Resources	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		7 October 2024