

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1534

Title: Disposal of 1 & 2 Well Cottages

Executive Summary:

This Mayoral Decision is requesting authority for the freehold disposal of the GLA Land and Property Limited (GLAP) owned 1 & 2 Wells Cottages to Amicus Horizon.

Decision:

That the Mayor approves:

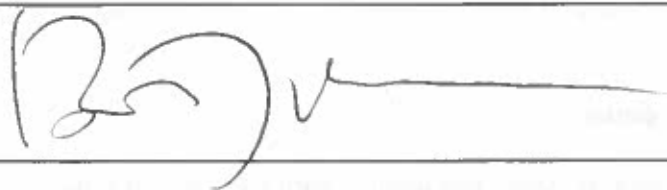
1. The freehold disposal of GLA Land and Property Limited owned assets comprising 1 and 2 Wells Cottages to Amicus Horizon on the terms set out in this decision form.
2. Expenditure of up to £20,000 on professional fees to complete the necessary documentation.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

10/09/15

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The subject land comprises 1 and 2 Well Cottages which are located to the South of the town centre of Coulsdon, adjacent to the Cane Hill hospital site.
- 1.2 The cottages are situated to the west of Lion Green Road, at the junction with Chipstead Valley Road, and adjacent to Lion Green Road car park which is currently owned by LB Croydon and which has planning permission for a supermarket and ancillary uses.
- 1.3 The combined GLAP landholdings at Lion Green Road were purchased as part of the Cane Hill Hospital acquisition by English Partnerships (EP) in 2007, under the Hospital Sites Programme. Due to the strategic location between Cane Hill and Coulsdon Town Centre, the sites were safeguarded for the Cane Hill development and provide an integrated link between the town centre retail and commercial activity and the redevelopment of Cane Hill. The HCA's interest in the Cane Hill site, including the Cottages, transferred from HCA (as successor to EP) to GLAP in April 2012 as part of the devolution of power to the Mayor under the Localism Act 2011.
- 1.4 The designation for the sites at Lion Green Road is mixed use with a focus on retail and commercial uses, such as a supermarket and healthcare facility; the key objective being to animate Lion Green Road by providing continuous active frontage and to encourage public accessibility and views from Lion Green Road.

Disposal of 1 & 2 Well Cottages

- 1.5 The decision seeks authority for GLAP to dispose of the cottages to Amicus Horizon, a registered provider situated in Croydon. 1 Wells Cottage has been tenanted by the same tenants since 1996 with the tenancy becoming a secure tenancy once it transferred to HCA from EP. 2 Well Cottage is a vacant dilapidated property which will require significant works to make the property structurally sound.
- 1.6 Initial discussions had commenced with LB Croydon to acquire the cottages as part of a package deal with the GLAP owned asset Sovereign House. Given the properties had existing tenants, the Council was unable to commit to the acquisition without vacant possession and therefore discussions commenced with Croydon approved Registered Providers. The only interest received was from Amicus Horizon who were selected on the basis they have existing land ownership in the Coulsdon area. Amicus Horizon have accepted the cottages will be sold by GLAP with tenants in situ. On this basis, Amicus Horizon have offered £300k for the land and properties.
- 1.7 Following their acquisition by Amicus Horizon and subject to the existing tenancy, the properties will be used for social housing purposes and provisions are to be included in the sale documentation to ensure that this is the case including disposal clawback provisions.
- 1.8 Amicus Horizon have agreed to pay the GLAP's legal fees in respect of the transaction.

2. Objectives and expected outcomes

- 2.1 The disposal to a Registered Provider provides the tenants with certainty of tenancy and will enable the vacant building to be brought back into use.

3. Equality comments

- 3.1 The GLA's public sector equality duty has been considered in relation to this recommendation and no specific issues have been identified as a result. Given the tenants' health needs, Amicus Horizon have provided assurances as to the continued occupation of the existing tenants and GLAP will ensure this is a condition of the agreement for sale.

4. Other considerations

4.1 Key risks and issues

There is limited risk to GLAP as the proposal is to receive an upfront payment for the freehold of the cottages.

4.2 Links to Mayoral strategies and corporate priorities

The sale of GLAP's assets in Croydon, packaged with the local authority aspirations for its surplus car park, will contribute to the wider Mayoral priorities for housing regeneration, growth and job creation as set out in the Mayor's manifesto and Economic Development Strategy. The receipt will support the delivery of the Mayor's objectives for London and in doing so, stimulate future jobs and growth.

4.3 Impact assessments and consultations

Consultation has been undertaken with the tenants of 1 Well Cottage and the Council and prior to the GLA transfer to Amicus Horizon, tenants will be advised of their change of landlord to Amicus Horizon.

5. Financial comments

- 5.1 The disposal of Wells Cottages has been agreed at £300,000 to Amicus Horizon. The properties were valued as at 31st March 2015 at £390,000 as they are being sold with tenants in situ, subject to a secure tenancy. The proposed sale price of £300,000 is therefore within the terms of the General Consent referred to below as the difference between the consideration and the unrestricted value of the land does not exceed £10m and in that the difference does not exceed 30% of the unrestricted value of the land.
- 5.2 The disposal may be subject to capital gains tax at 20% of the profit on disposal as the properties are held as investment stock. This will be linked to other disposals of investment property during the financial year and the use of GLAP's £900,000 annual tax allowance.
- 5.3 There is currently a revenue budget for disposal of this asset set at £20,000 for 2015-16 for professional fees in relation to the disposal.
- 5.4 The sale of the two cottages will be VAT exempt (in any event does not apply to buildings which are intended to be used as dwellings).
- 5.5 The purchaser has agreed to reimburse GLAP's costs which should include the VAT charged on such costs (VAT is not refunded by HMRC on exempt disposals).

6. Legal comments

- 6.1 Section 30 of the Greater London Authority Act 1999 (as amended) ("GLA Act") gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA. The principal purposes, as set out in section 30(2) of the GLA Act are:
- (1) promoting economic development and wealth creation in Greater London;
 - (2) promoting social development in Greater London; and
 - (3) promoting the improvement of the environment in Greater London.
- 6.2 Given the above and section 34 of the GLA Act, which allows the Mayor to do anything which is calculated to facilitate or is conducive or incidental to the exercise of any of his functions, the foregoing sections of this report indicate that the Mayor has the power to make the requested decisions.
- 6.3 Dentons have been appointed by Legal to act for GLAP in connection with the proposed disposal.
- 6.4 Section 333ZC of the GLA Act provides that the GLA may not dispose of land held by it for the purposes of housing and regeneration for less than the best consideration which can reasonably be obtained unless the Secretary of State consents. In this case both cottages, subject to the existing secure tenancy, have been valued at £390,000 and the proposed disposal is for £300,000. Therefore the consideration for this disposal appears to be below best consideration. Secretary of State consent is therefore required.

The Secretary of State has issued a General Consent dated 11 December 2012. The General Consent applies to a disposal of land held by GLA or a subsidiary which would include GLAP for the purposes of housing and regeneration for less than the best consideration that can reasonably be obtained provided that the following criteria are met:

- (i) The GLA considers that the disposal will further or facilitate or is conducive or incidental to the furtherance of any one or more of its principal purposes (as referred to at paragraph 6.1 above);
- (ii) The difference between the unrestricted value of the land and the consideration for the disposal does not exceed £10M;
- (iii) The difference between the unrestricted value of the land and the consideration for the disposal does not exceed 30% of the unrestricted value of the land;
- (iv) The GLA must observe all applicable laws and rules of the UK and European Community including EC State Aid requirements when making a disposal;
- (v) In determining whether or not to dispose of land for less than best consideration reasonably obtainable the GLA should ensure that it complies with the RICS Appraisal and Valuation Standards- UK Guidance Note 5 Local Authority Disposal of Land at less than Best Consideration guidance, and with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue.

On the basis of the details set out in this paper it appears that the terms of the Secretary of State General Consent apply to the proposed disposal. Dentons have provided advice so as to ensure compliance with EC State Aid requirements.

7. Housing Investment Group

- 7.1 The proposal was considered at the HIG in September 2013 and a verbal update was subsequently provided on the current status and endorsed in February 2015.

8. Planned delivery approach and next steps

| Activity | Timeline |
|---|-------------|
| Mayoral Decision | August 2015 |
| Agree terms of Agreement for Sale | Summer 2015 |
| Land & properties sold (transfer to Amicus Horizon) | Summer-2015 |

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason:

Until completion of the sale and registration at the Land Registry

Until what date: 30 October 2015

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Amena Matin has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Heather Juman has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature



Date 18 August 2015

pp M. CLARKE

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature



Date 18-08-2015

