



Finance, Smart City and City Management Policy and Scrutiny Committee

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| Date: | 29 March 2022 |
| Classification: | General Release |
| Title: | Call-in of decision entitled “Strategic Acquisition of 215 Vauxhall Bridge Road” |
| Report of: | Gerald Almeroth, Executive Director of Finance and Resources |
| Cabinet Member Portfolio | Finance and Smart City |
| Wards Involved: | Warwick |
| Report Author and Contact Details: | Claire Barrett, Director of Corporate Property, cbarrett@westminster.gov.uk |

1. Executive Summary

This report informs the Committee of the call-in of the decision made by the Cabinet Member for Finance and Smart City to acquire 215 Vauxhall Bridge Road, incurring £16.5m of capital expenditure.

The decision report was approved by the Cabinet Member on 15 March 2022 with the call-in period due to expire at 5pm on 22 March 2022. On 15 March 2022 Cllr Hug, Dimoldenberg and Lewis notified the Proper Officer that they wished to call the decision in. Members are not required to give reasons for call-in although these may be requested. Thus, the call-in was activated and scheduled to be heard at the meeting of the Finance, Smart City and City Management Policy and Scrutiny Committee on 29 March 2022.

Call-in provisions exist to enable Members to temporarily halt the implementation of a decision when they believe that decision needs to be revisited. Generally this may be for three reasons, Members:

- believe the decision may be contrary to the normal requirements for decision-making;
- believe the decision may be contrary to the council’s agreed policy framework and/or budget;

- need further information from the decision-taker to explain why the decision was taken.

In requesting that this decision was called in, Members activating the call-in provided the reasons and additional questions set out in section 2. It is noted that the call-in process may only be used to review the decision set out in this report and not other decisions, including potential future decisions.

2. Matters for the Committee's consideration

Members requesting the call-in, set out the following reasons and additional questions for consideration:

- a) What is the council planning for the Queen Mother Sport Centre and 215 Vauxhall Bridge Road site and when would they expect it to be built?
- b) What is the expected carbon impact of demolishing the Queen Mother Sports Centre and 215 Vauxhall Bridge Road?
- c) How tall and bulky will the proposed new development be and what proportion of any new homes will be for social rent or be genuinely affordable?
- d) Is the Council looking to use the model proposed in 2016-18 (and at the Moberly Centre) where the developer provides the new sports centre at 'no cost' to the council in return for raking in development profits from a residential or office block?
- e) Is the council still planning to increase the size of the sports centre to include an Olympic size pool?
- f) If the council were not to proceed with the redevelopment but instead hold the asset how does the proposed 3.5% yield compare with the rate of return on other council investments (both current and future), particularly given issues around the short-medium term rates of inflation?
- g) Why is this decision being taken now when the Council is about to go into the pre-election 'purdah' period?

3. Report information

- a) The Council has long held an ambition to redevelop the Queen Mother Sports Centre (QMSC) and for it to include elements of housing. Over £70m is allowed for in the Council's capital programme from 2027 onwards. This is currently based on the development of the QMSC site only, not including this purchase.
- b) The carbon impact of any demolition will be an important consideration in the future development options appraisal for the scheme.

- c) Any development would need to go through the normal planning application process, and there are no detail design plans for development at this stage. The development would need to adhere to the Council's policy on the proportion of affordable homes at the time.
- d) The optimum delivery model for the future development has not yet been assessed, but the Council would be open to consider whatever delivers best value.
- e) There are no detailed design plans agreed in terms of what a leisure facility would include.
- f) The initial yield is derived from the terms agreed for the leaseback with the vendor and was factored into the independent red book valuation which showed the acquisition to be at market value. However, any future market leasing on the property would be expected to achieve a higher rent, c.4.5% yield. This assumption is based on existing market conditions and does not take into account any market growth speculation despite the area having seen strong market growth trends over all medium to long term periods. Were the site to be no longer required, a potential disposal could be explored in the context of the prevailing market conditions and the performance of the asset against metrics such as inflation at that time.
- g) Parkinson's UK are the owners of 215 Vauxhall Bridge Road, with this site being their current headquarters. Parkinson's UK is a registered charity overseen by a Board of Trustees and must adhere to Charities Commission regulations.

During the summer of 2021, WCC was notified of Parkinson's intention to sell the freehold of the Property and to take leaseback upon completion of the sale. Parkinson's UK determined that they would be following an open marketing process.

From October 2021, the property was marketed with a competitive, structured bidding process where bids were assessed in rounds taking into account a number of factors. This culminated in WCC making best and final bid on 8th December 2021 with detailed heads of terms being agreed in mid-January.

From January, WCC undertook full legal, technical and property due diligence. As of the beginning of March 2022, information was still being received and collated from the sellers' solicitors.

The timing of the acquisition and thus this recommendation and subsequent decision has been dictated by the process that the seller followed and the date they put the property on the market.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact Claire Barrett on 07971026277 or cbarrett@westminster.gov.uk