

LONDON BOROUGH OF CROYDON

To: All Members of Council
Croydon Council website
Access Croydon & Town Hall Reception

STATEMENT OF EXECUTIVE DECISIONS MADE BY CABINET MEMBER FOR FINANCE & RESOURCES ON 30 OCTOBER 2019

This statement is produced in accordance with Regulation 13 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. Please note, that as the decisions below are not Key Decisions, they are not subject to call-in.

The following apply to the decision 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 any Cabinet Member: None

Note of dispensation granted by the Head of Paid Service in relation to a declared conflict of interest by that decision maker: None

The Leader of the Council has delegated to the Cabinet Member for Finance & Resources the power to make the executive decisions noted out below:

Decision No.: 4319FR

Details of Decision: SURRENDER OF EXISTING LEASE AND LETTING OF UNIT 7C COLONNADES RETAIL AND LEISURE PARK

Details of decision:

Having carefully read and considered the Part A report, and associated confidential Part B report, 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 & Resources in consultation with the Leader of the Council

RESOLVED: To

1. Agree that pursuant to the Asset Investment Strategy contained within Medium Term Financial Strategy approved by Full Council on the 8th of October the Council approves:
 - a. The grant a new lease to K&Z South London Limited (KFC franchisee) in the Colonnades Retail and Leisure Park on the terms detailed in the Part B report;

- b. Accept a surrender of the lease to Kentucky Fried Chicken (Great Britain) Ltd (KFC) for unit 2 in the Colonnades on the terms detailed in the Part B report; and
2. Agree that, for the reasons detailed in paragraph 3.3 of the Part B report, the Executive Director (Resources) be given delegated authority, acting in consultation with the Cabinet Member for Finance and Resources, to make any amendments to the terms of the Lease surrender and grant considered necessary after the decision has been made.

Signed: Council Solicitor and Monitoring Officer

Notice date: 31 October 2019

Part A

DELEGATED DECISION REPORT TO:	Cllr Simon Hall Cabinet Member for Finance and Resources
SUBJECT:	Surrender of Existing Lease and Letting of Unit 7c Colonnades Retail and Leisure Park
LEAD OFFICER:	Jacqueline Harris Baker, Executive Director Resources Steve Wingrave Head of Asset Management and Estates
CABINET MEMBER:	Cllr Simon Hall Cabinet member for Finance and Treasury
WARDS:	Waddon
CORPORATE PRIORITY/POLICY CONTEXT:	
A new Corporate Plan and Medium Term Financial Strategy (MTFS) were agreed by Cabinet in September. The MTFS included an Asset Investment Strategy. The securing of additional net revenue through acquisitions of this type are critical to ensuring that resources are available to deliver the priorities in the Corporate Plan.	

FINANCIAL IMPACT
The letting will secure an increased net revenue receipt through the increased rental for Unit 7c compared to the rent from the currently occupied Unit 2 within the Colonnades Development.
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A

The Cabinet Member for Finance and Resources, in consultation with the Leader, is asked to approve the following recommendations:
1. RECOMMENDATIONS
1.1 That the Cabinet Member for Finance and Resources agrees that pursuant to the Asset Investment Strategy contained within Medium Term Financial Strategy approved by Full Council on the 8 th of October the Council approves:
1.1.1 The grant a new lease to K&Z South London Limited (KFC franchisee) in the Colonnades Retail and Leisure Park on the terms detailed in the Part B report.
1.1.2 Accept a surrender of the lease to Kentucky Fried Chicken (Great Britain) Ltd (KFC) for unit 2 in the Colonnades on the terms detailed in the Part B report
1.2 Agrees that, for the reasons detailed in paragraph 3.3 of the Part B report, the Executive Director (Resources) be given delegated authority, acting in consultation with the Cabinet Member for Finance and Resources, to make any amendments to the terms of the Lease surrender and grant considered

necessary after the decision has been made.

2. EXECUTIVE SUMMARY

- 2.1 As part of the Council's Financial Strategy presented to Cabinet on 24th September and Full Council on 8th October 2018, the proposal to adopt a full Investment Strategy to generate income to help delivery the financial strategy of the council was formally adopted. This provided authority for the property investment portfolio to be subject to separate management requirements from the Council's own property portfolio. The proper management of these assets , including the grant of new leases or other documentation to help maintain and improve their performance, can therefore be considered under delegated authority from the Cabinet member for Finance and Resources in consultation with the Leader.
- 2.2 The Investment Strategy reflects the Council's aspiration to secure medium to long term revenue returns from sound property investment within Borough. It is important to acknowledge that to maximise the benefits from property investments. Following the purchase of Phase 2 of the Colonnades, terms have now been agreed with Kentucky Fried Chicken (Great Britain) Ltd (KFC) to surrender their existing lease and for a new one to be granted to K&Z South London Limited the current franchisee for the new unit 7C at an improved rent for a period of 20 years
- 2.3 This report seeks approval for the surrender of the existing lease and grant of a new 20 year lease to K&Z South London Ltd (The Tenant)

3. DETAIL

- 3.1 Following the initial purchase of the Colonnades it was proposed that the restaurant chain Smith and Western would take unit 7C but unfortunately negotiations failed to complete and they pulled out due to current economic conditions. The existing franchisees for the KFC unit had previously expressed an interest in this space and therefore negotiations were initiated with them. Despite having only recently taken up occupation, the unit was too small due to the increase in trade at the site.
- 3.2 Terms have now been agreed for the surrender of the existing unit (lease is with KFC rather than the franchisee) and the grant of a new 20 year lease for the larger premises at unit 7C. The new premises are larger and the agreed rent offers an additional income of £20,000pa
- 3.3 The unit is approximately 3,500sqft and will be handed over on the basis of a shell unit with a glazed frontage and therefore the Tenant will be undertaking a considerable level of fit out work. This is being part funded through a rent free period that was allowed for as part of the original purchase price and therefore the the Council will effectively benefit from the rental income from the start of the lease.

- 3.4 The agents have undertaken due diligence on the covenant strength of the Tenant and although not as strong as that of KFC it is considered to be good and they have a number of other units from which they trade successfully. The agents have also advised that in the current market there is no other real interest in this size unit whereas they have received several enquiries from smaller units and therefore the prospects of reletting the vacated unit is likely to be much quicker. The letting of the new unit is also likely to have a positive impact on the Park as the new development is clearly visible from the road and therefore being fully let to 3 recognised national companies is likely to improve footfall into the centre.
- 3.5 The lease being surrendered is 2,800sq ft and is immediately next to the Nuffield Health unit where discussions are ongoing to take back part of their unit. Having unit 2 available will allow more flexible options to be considered and increase the marketability as we could either create two small units or a larger one and interest has previously been shown by Sainsbury Local and Greggs as well as more local companies in this location
- 3.6 The terms for the new lease and surrender are detailed in the part B paper.

4. CONSULTATION

- 4.1 No consultation has been undertaken outside of the Council

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Risks

By taking the surrender of the lease from KFC we are accepting a lesser covenant from the franchisee and therefore there is an element of risk. However, the financial standing of the Tenant has been investigated and is considered to be acceptable and they have a proven track record as a franchisee with several other outlets.

The letting of the larger unit has reduced the financial exposure in the longer term and is also considered to offer wider benefits to the Park as a whole as the new units are more visible from the road and having all three occupied by nationally recognised brands will help increase footfall.

5.2 Options

The existing lease could be retained with KFC but the premises are too small for the current operation. The agents have also indicated that there has been no other demand for the larger unit as there are currently fewer restaurant users looking to acquire units due to the current economic climate and that we have already secured Nandos and McDonalds.

5.3 Future savings/efficiencies

The long term letting will make an increased contribution towards the investment income to contribute towards the MTFS.

Approved by: Lisa Taylor, Director, Finance Risk and Insurance and s151 Officer

6. LEGAL CONSIDERATIONS

- 6.1 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: Sean Murphy, Director of Governance & Law and Deputy Monitoring Officer

7. HUMAN RESOURCES IMPACT

- 7.1 There are no human resources impacts from this proposal

8. EQUALITIES IMPACT

- 8.1 The new unit has been constructed in line with current building regulation requirements and is therefore fully accessible and the internal design is more wheelchair friendly. The letting is to the existing franchisee and therefore staffing policies will be the same and still come within the umbrella requirements of KFC. It is therefore not considered that there will be a negative impact as a result of this letting and surrender.

9. ENVIRONMENTAL IMPACT

- 9.1 The new building has been constructed in line with current building regulation requirements

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There are no crime or disorder impacts as a result of this letting

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 11.1 A new 20 year lease for the accommodation will generate an financial contribution for the Council and help improve the strength of the Leisure Park overall.

12. ALTERNATIVE OPTIONS CONSIDERED

- 12.1 The only real option is to retain the existing lease to KFC and look for an alternative tenant for the new unit 7C. Having considered this option with the Council's external advisors, this is not considered to offer the best opportunities as there is currently a lack of demand for the larger unit size and retaining this as a vacant unit although this is not considered

13. DATA PROTECTION IMPLICATIONS

13.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF PERSONAL DATA?

No

13.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

As no personal data was used to prepare this report a DPIA has not been completed. All references in the report are to a company rather than an individual.

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

BACKGROUND PAPERS: None