

DISPOSAL POLICY: LEASEHOLD AND FREEHOLD

To: **Commercial & Investment Committee**

Meeting Date: **28 July 2017**

From: **Chris Malyon, Deputy Chief Executive**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **To adopt a policy for determining when a leasehold or freehold disposals is appropriate.**

Recommendation: **To agree that the most appropriate method of disposal for property assets should continue to be determined on a case by case basis.**

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1. BACKGROUND

- 1.1 On the 30th June 2017 Commercial and Investments Committee considered a paper on the disposals process for property assets with reference to disposals to Cambridgeshire Housing and Investment Company.
- 1.2 It was noted that there was no formal policy position on whether disposals should be freehold or leasehold or be seeking to secure capital or revenue returns.

2. MAIN ISSUES

- 2.1 Most disposals by the County Council are of freeholds. Leasehold disposals have been used when the Council wanted to retain some control over the asset and share in any future uplift in value if circumstances changed. Leases have been either at a premium (effectively all the rent for the term being paid up front) and thereafter at a peppercorn rent or at an annual market or discounted rent. The asset remains within the Council's portfolio in the long term but it can transfer most if not all of the liabilities for the duration of the lease.
- 2.2 The market preference for land for development is always for an unencumbered freehold sale and this is generally reflected in higher values.
- 2.3 For example, at Estover Road, March a County owned playing field was let for 99 years to a Community Interest Company at a peppercorn rent, a less than best consideration disposal. The land is important as a playing field to the local community but could have some development value. The lease allows the Council to have influence should the CIC wish to develop all or part of the land for say housing and would potentially enable the County to benefit from an uplift in value.
- 2.4 Leases to fledgling community bodies could enable a building to revert to the Council if the group failed. Certain properties such as the Cromwell Museum are of historic importance and this approach will help preserve their long term community use and for this reason a long lease was used. A lease at a peppercorn rent allowed the Council to transfer the building with its associated liabilities/costs but if the Trust failed it would revert to the Council.
- 2.5 At the Beechwoods to the south of Cambridge a large wood was let for 99 years to the Cambridge Wildlife Trust for a peppercorn rent. This relieves the County of the management and costs but retains some influence in relation to an important site.
- 2.6 On the Shire Hall site the Castle Court building was let to Study Inns for 125 years at a substantial rent. There was more interest in the market for freehold sales but the Council wanted to establish a long term rental stream. In addition the curtilage of the building and car park are shared with the County Council and again a leasehold offers important controls.
- 2.7 When properties are marketed offers are generally invited for a freehold disposal unless officers have felt a leasehold to be more appropriate or as an income generating opportunity. Where both freehold and leasehold offers have been received they can be appraised before a recommendation is made.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

3.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

The report above sets out details of significant implications.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications

The report above sets out details of significant implications.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

There are no significant implications within this category.

4.6 Localism and Local Member Involvement

There are no significant implications within this category.

4.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	None at this stage.
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	None
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	None at this stage
Have the equality and diversity implications been cleared by your Service Contact?	None
Have any engagement and communication implications been cleared by Communications?	Yes or No Name of Officer:
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes or No Name of Officer:
Have any Public Health implications been cleared by Public Health	Yes or No Name of Officer: