

# Croydon Council

## Part A Report

<b>DELEGATED DECISION REPORT TO:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance and Treasury</b>
<b>AGENDA ITEM:</b>	<b>Background Document</b>
<b>SUBJECT:</b>	<b>Disposal of Addington Palace Golf Course</b>
<b>LEAD OFFICER:</b>	<b>Steve Wingrave Head of Asset Management and Estates</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall Cabinet member for Finance and Treasury</b>
<b>Ward</b>	<b>all</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> <b>Delivering high Quality public services and improving value for money</b>	
<b>FINANCIAL SUMMARY</b> The acceptance of the proposals to dispose of the long leasehold (999 years) interest to the existing tenants will result in a capital receipt. The capital receipt will be used to fund capital expenditure in the agreed capital programme and therefore reduce the need to take out debt and the resultant interest and repayment costs. There will be a loss of an annual income of £60,000.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> This is not a key decision.	

The Leader of the Council has delegated to the Cabinet Member for Finance and Treasury the power to make the decisions set out in the recommendations below

### 1. RECOMMENDATIONS

That the Cabinet member having carefully read and considered the Part A and B reports:

- 1.1 Agrees to the long leasehold disposal (999 years) of the Addington Palace Golf Club to Addington Palace Golf Club Ltd on the terms detailed in the associated Part B report
- 1.2 Note that the purchase price will be published on completion of sale of the freehold

### 2. SUMMARY

- 2.1 This report recommends the long leasehold disposal for 999 years (the

disposal), of the Addington Palace Golf Course ('the Golf Course) to Addington Palace Golf Club Ltd (the Tenant) who currently hold a long lease of the Golf Course, to generate a capital receipt.

### **3. BACKGROUND**

3.1 The Tenant has operated from the Golf Course under a leasehold arrangement for many years. Their original lease had a geared rent based on net income from the Golf Course only (not clubhouse income) which generated a rental payable to the Council of c£45k pa. The financial arrangements under the lease were then re-geared and a new 75 year lease was granted in 2004. Under the terms of that lease the tenant initially paid a premium of £1,000,000 and was liable for additional rental payments as detailed below:

Years 1 to 10	£10,000pa
Years 11 to 15	£60,000pa (current rental income)
Years 16 to 20	£80,000pa
Years 21 onward	Market rent or £80,000 whichever is the greater

3.2 The Golf Club had approached the Council to purchase the freehold of the Course but, having considered this request, it is recommended that the Council retain some limited control over future use of the Golf Course. Hence it has been agreed to progress the disposal on the basis of a 999 year lease.

### **4. DETAIL**

4.1 The land to be disposed of will be for the same area as is currently demised to the Tenant. This excludes the lodge which provides residential accommodation for club staff and is held under a separate agreement with the Council. There is no proposal to dispose of this element.

4.2 The existing lease agreement does not include any restrictions on the clubhouse fees charging regime used by the Tenant and therefore the Council will not be able to impose restrictions on green fees as part of the disposal. However, it should be noted that the Council do have controls over the clubhouse fees at some of the other courses within the Borough, such as at Coulsdon Court, to ensure access is available at a reasonable rate elsewhere.

4.3 The Golf Course is located within Metropolitan Green Belt and in addition is a locally listed landscape as it is a historic park and garden (the original parkland having been designed by Capability Brown). The area is also an archaeological priority zone. It is therefore considered that it is highly unlikely that any of this area would be made available for any housing or other development for the foreseeable future.

- 4.4 However, the sale of a leasehold rather than a freehold interest will enable the Council to retain the degree of control necessary protect the future use of the course. If any applications were made to develop or change the use of part or all of the area, as freeholder, the Council would be able refuse consent or share in any increased value of the land via the provision of suitable clauses in any development agreement.
- 4.5 Both the Tenant and the Council have undertaken their own valuations to determine the value of the interest being sold. The Tenant commissioned a valuation from specialist valuer who provided a market value on the basis of the potential as a golf course. The Council approached the valuation from a more traditional method looking at the value of the rental income that would be lost as a result of the disposal. This provided a significantly higher value and one that was eventually accepted by the Tenant as the agreed value for the proposed disposal.
- 4.6 Terms have been provisionally agreed for the disposal as detailed in the associated Part B report.

## **5 FINANCIAL & RISK ASSESSMENT CONSIDERATIONS**

### **1 The effect of the decision**

The disposal of this site will secure a capital receipt but will lead to the loss of the current rental payment of £60,000pa. The capital receipt will be used to fund capital expenditure and therefore reduce the need to take out debt with a resultant revenue saving initially of £80,000 per annum.

### **2 Risks**

There are no inherent risks from agreeing this transaction. The terms of the 999 year lease will allow control over the future use of the site

### **3 Options**

The Council could decline to re-gear the lease and retain the future income rather than a capital receipt.

Consideration has been given to extending the lease for a term of 125 years but this would generate little capital value given the existing 65 year unexpired term and offer no additional benefit to the Council.

A further option would be to reduce the rental payments in lieu of a capital premium. Discussions were had with the Club in respect of both of these options but neither were of interest to them and offered reduced benefits to the Council

#### **4 Savings/ future efficiencies**

The freehold sale does not produce any savings or future efficiencies for the Council as the current long lease is on a full repairing basis. The disposal will, however lead to a loss of the current rent income of £60,000pa and also a saving of interest and repayment as the capital receipt will reduce the Councils debt requirement

(Approved by Richard Simpson, director of finance and assets)

#### **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

6.1 The Solicitor to the Council comments that Section 123 of the Local Government Act 1972 requires that any disposal should be on the best terms that can reasonably be obtained. Based on the advice from the Council's Head of Asset Management and Estates, the disposal on the terms outlined in the part B report would appear to satisfy that requirement.

Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer.

#### **7. EQUALITIES IMPACT**

7.1 An initial equality impact assessment has been undertaken and determined that:

- No major change - the Equality Analysis demonstrates that the proposed disposal will not lead to potential for discrimination and that all opportunities to advance equality have been taken;

#### **8. ENVIRONMENTAL IMPACT**

8.1 The disposal will not lead to any material changes

#### **9. CRIME AND DISORDER REDUCTION IMPACT**

9.1 The completion of this disposal is likely to lead to more investment by the Club which may benefit security at the Club

#### **10. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

10.1 The disposal of the long lease will secure a significant capital value and prevent the loss or significant change to the facility without consent and the ability to share in any increased value.

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**BACKGROUND DOCUMENTS: Elevation and site plans for the proposed development**