

AGENDA ITEM: 7	Pages nos. 28 - 35
Meeting	Cabinet Resources Committee
Date	14 December 2011
Subject	Frith Manor Equestrian Centre, Lullington Garth, Mill Hill, London, N12 7BP
Report of	Cabinet Member for Resources and Performance
Summary	To seek approval to either: (i) sell the Council's freehold interest in the property to the current tenants, Frith Manor Stables Limited, Betty Baldwin Turner and Penelope Rule or (ii) grant of a 125 year lease on terms to be agreed and approved by the Cabinet Member for Resources, under his delegated powers.

Officer Contributors	Judith Ellis - Property Services Valuation Manger Richard Malinowski – Principal Valuer (Property Services) Suzanna Ellis – Principal Valuer (Property Services)
Status (public or exempt)	Public (with separate exempt report)
Wards affected	Mill Hill
Enclosures	Location Plan No. 24363
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

1.1 That dependent upon the premium offers received for the grant of a 125 year lease, the Council will either:

- (i) sell its freehold interest in the land shown edged red on the attached plan no. 24363 to the current tenants, Frith Manor Stables Limited, Betty Baldwin Turner and Penelope Rule on the terms detailed in the accompanying exempt report; or**
- (ii) grant a 125 year lease of the land shown edged red on the attached plan no. 24363 on terms to be agreed and approved by the Leader, under his Delegated Powers.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Executive Director of Resources on 31 March 2008 approved, under delegated powers, the rent payable under the lease from 26th September 2006.**
- 2.2 The Executive Director of Resources on 22 January 2009 approved, under delegated powers, an assignment of the lease from Frith Manor Stables Limited, Betty Baldwin Turner and Penelope Rule to Frith Manor Stables Limited, Betty Baldwin Turner & Mr and Mrs Andrew Paul McMillan.**
- 2.3 Cabinet Resources Committee 24 May 2011 (Decision Item 6) – resolved to approve the Council’s Estates Strategy 2011-2015.**

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan 2011-2013 commits the Council to delivering ‘Better services with less money’. A key principle of the medium term financial strategy is to continually review the use of Council assets so as to reduce the cost of accommodation year on year and to obtain best consideration for any surplus assets to maximise funds for capital investment and/or the repayment of capital debt. The sale of the Council’s freehold interest in this property or the grant of a 125 year lease would provide a capital receipt which would support the Council’s priorities.**
- 3.2 The Council’s Estates Strategy 2011-2015 commits the Council to ‘providing sustainable, value for money solutions to enabling high quality service delivery and community activity, at every stage of the property and assets life cycle.’ In disposing of its freehold interest or granting a long lease of the Frith Manor Equestrian Centre site, the Council would be driving achievement of the Estates Strategy, contributing to a financially sustainable property portfolio and holding only those assets that we need to deliver those functions driven by our corporate priorities and proactively pursuing opportunities to release and recycle capital and revenue into these priorities.**

4. RISK MANAGEMENT ISSUES

- 4.1 It is considered unlikely that the sale of this land or the grant of a long lease will raise significant levels of public concern or that it will give rise to policy considerations.**

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The recommendation has been evaluated against the principles in the Equalities Policy and Equalities scheme and there are no adverse implications for specific groups.
- 5.2 The receipt from the disposal of this site will feed into the Council's Capital Programme which supports the overall aim of the Council's Equalities Policy and supports the equality priorities outlined in Council's Equality Scheme.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 There are no procurement, performance and value for money, staffing, IT or sustainability implications. The property implications are set out in paragraph 9 below and in the accompanying exempt report.
- 6.2 Any costs incurred in the course of this proposed disposal will be covered by the existing commercial directorate budget, including all legal and surveyors fees.
- 6.3 The Council will no longer receive the rent due under the lease if the freehold interest is sold or a long leasehold interest granted. The rent currently received is detailed in the accompanying exempt report.

7. LEGAL ISSUES

- 7.1 Local authorities are given powers under Section 123 of the Local Government Act 1972 (as amended) to dispose of land held by them in any manner they wish, including the grant of leases. The only constraint is that, except with the consent of the Secretary of State, a disposal must be for the best consideration reasonably obtainable.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution, Part 3 (Responsibility for Functions) - paragraph 3.6 - Functions delegated to the Cabinet Resources Committee - All matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.
- 8.2 Constitution, Part 4, Council Procedure Rules, Management of Real Estate, Property and Land, paragraph 19 – All recommendations for approval of the sale price and other terms of disposal must contain a statement from the Chief Valuer or, if appointed, from suitably qualified external agents that the Council will obtain the best price which can reasonably be obtained or that there is approval through the General Consent or that the consent of Central Government has been obtained or will be sought to enable the disposal of the property to proceed as recommended.

9. BACKGROUND INFORMATION

The Property

- 9.1 The site under consideration is outlined in red on the attached plan, having an area of approximately 13.76 Hectares (34 acres). The property comprises a substantial rural holding used as an Equestrian Centre situated within the Green Belt and the Mill Hill Conservation Area. There are several buildings of different construction on the site. All of the buildings are situated on a 2.5 acre southern section, originally held on a separate

lease, with the remaining 31.5 acres comprising grazing land lying to the north. The main buildings on the site, predominantly built circa 1960's -1970's comprise a riding school, 3 bedroom bungalow, 80 livery boxes, and stalls.

The Lease

- 9.2 The property is let under a lease dated 10th August 1989 granted to Frith Manor Stables Limited, Penelope Rule and Betty Baldwin Turner.
- 9.3 The lease is for a term of 50 years commencing on the 29th September 1986 expiring 28th September 2036.
- 9.4 Details of the current rent payable are set out in the accompanying Exempt Report.
- 9.5 The Tenants have approached the Council on a number of occasions with requests to acquire the Council's freehold interest, and recently submitted an offer which is considered in excess of the investment market value. This offer is detailed in the accompanying exempt report.
- 9.6 Mr and Mrs McMillan who have been running the Equestrian Centre on behalf of the tenants under a management agreement have also put forward an offer to purchase the freehold, the details of which are also set out in the accompanying exempt report. This offer is also considered in excess of the investment market value.
- 9.7 In 2009 the tenants proposed to assign the lease so as to include Mr and Mrs McMillan. Although the Council gave consent to the proposal, we were advised by the tenant that the assignment did not proceed.
- 9.8 The land forms part of the Green Belt which carries a policy presumption to protect the land use.
- 9.9 It should be noted that there could be latent development potential on this site, therefore any disposal of the Council's freehold interest will be based on the existing use with a claw-back clause, to ensure that if development is possible in the future an element of that increase in value will revert to the Council. Details of any claw-back are still to be negotiated.
- 9.10 In reviewing the proposed disposal of the Council's freehold interest or the grant of a long lease of this property, consideration was given to the demand for school places available in the borough. Based on the current projection of need up to 2016/17, it has been determined that there are sufficient opportunities within schools in the area to increase provision without investing in the potential establishment of a new school in this location. Furthermore, development of the site for school purposes at the present time would be in contravention of current Green Belt policies. In any event, as the lease of the land still has just under 25 years remaining, added to the fact that the tenancy is one which has security of tenure under the Landlord & Tenant Act 1954 (i.e the tenant has a statutory right of renewal), it is considered highly unlikely that the Council would be able to be able to utilise the site for the development of a new school.
- 9.11 The Council has sought independent advice on values which support the level of offers that have been submitted. Details of this advice are attached as Appendix 1 to the accompanying exempt report. It is the view of the Council's Property Services and Valuation Manager that the proposed disposal of the Council's freehold interest would be

in accordance with the Council's statutory duty to receive the best consideration reasonably obtainable.

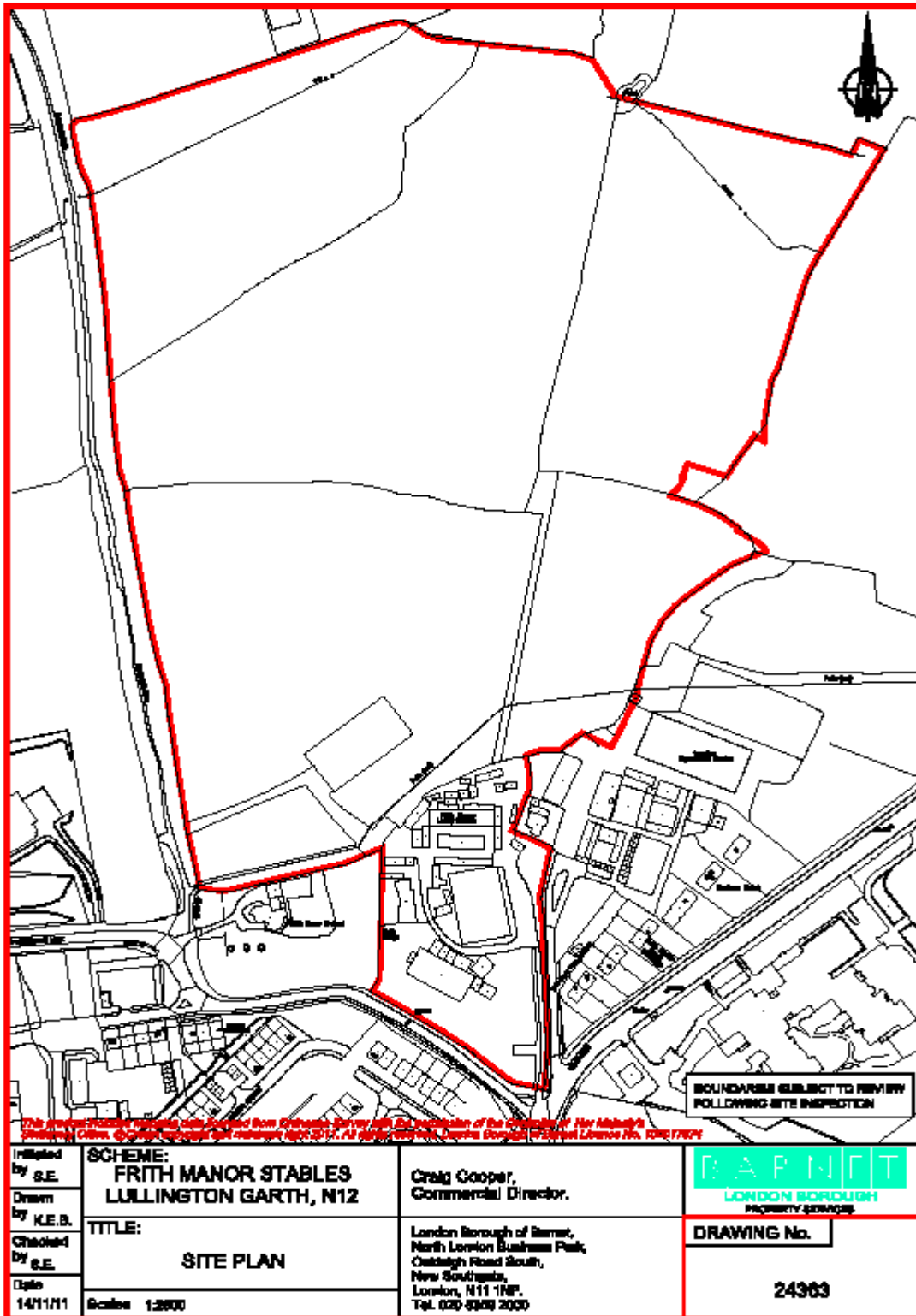
- 9.12 Rather than a disposal of the freehold interest the Council is considering the option of granting a long lease to the current tenants, or to Mr & Mrs McMillan. A lease granted to Mr & Mrs McMillan would be subject to and with the benefit of the existing lease to the tenants. The reasons for considering the option of granting a lease is to provide the Council with a greater control over land use. However this is likely to impact on the premium that can be achieved. Offers for the grant of a lease have been requested from both parties and will be reported to the Committee either verbally or by way of a supplemental report.
- 9.13 Council's Legal and Surveyors Fees are still to be negotiated. If the parties agree to bear their own fees, the Council's fees will be taken from the Commercial Directorate budget.
- 9.14 Under the current lease the Council receives a rental income from this property. Details of the rent are set out in the accompanying exempt report. This revenue will be foregone in lieu of a capital payment if the Council's freehold interest is sold.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal – SWS
CFO – MC

Site Plan



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Photographs



Grazing Land.



Three Bedroom Bungalow.



Indoor Riding School.



Livery Boxes