

## MUNICIPAL YEAR 2014/2015 REPORT NO. 229

### MEETING TITLE AND DATE:

**CABINET - 29<sup>th</sup> April 2015**

### REPORT OF:

Director of Finance, Resources and Customer Services

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**Agenda - Part: 1**

**Item: 18**

### Subject:

Call-in: Property acquisition

**Ward:** Chase

KD 3990

### Cabinet Member consulted:

Cllr Andrew Stafford

## 1. EXECUTIVE SUMMARY

- 1.1. On the 11<sup>th</sup> March 2015 Cabinet approved this property acquisition (Report no. 185 & 189).
- 1.2. This decision was called-in by Members of the Opposition, and the Overview & Scrutiny Committee (OSC) was held on the 1<sup>st</sup> April to discuss the call-in.
- 1.3. OSC requested additional information and decided to refer the original decision back to Cabinet for reconsideration. The questions and responses are provided in the body of this and the part 2 reports.

## 2. RECOMMENDATIONS

- 2.1. Cabinet is being asked to reconsider (under the call-in process) their original decision and to decide whether, on the basis of the additional information provided, they wish to amend or reconfirm their original decision.

## 3. BACKGROUND

- 3.1. See previous reports to Cabinet 11<sup>th</sup> March 2015 number 185 & 189 that approved the acquisition of this property.
- 3.2. The decision of Cabinet on 11<sup>th</sup> March 2015 was called-in and a number of questions were raised by Councillor Laban at OSC on the 1<sup>st</sup> April 2015. These questions are answered in this and the part 2 reports.
- 3.3. See Part 2
- 3.4. See Part 2

3.5. See Part 2

3.6. OSC requested more information on the following:

3.6.1. **When the offer to sell was made, what was the asking price and how was that recorded?**

3.6.1.1. See part 2.

3.6.2. **On what valuation basis is it asserted that there will be a capital appreciation - as agricultural land or some other use?**

3.6.2.1. According to Savills, over the past decade, farmland prices have grown at twice the rate of prime London property prices, with good agricultural land increasing 270% in value compared with a 135% rise for London houses during that time.

3.6.2.2. One reason for this is increasingly limited supply: in 2000 some 300,000 acres were on the open market; last year this was below 150,000—less than half a per cent of Britain's farmland.

3.6.2.3. Knight Frank also reports that the current demand for agricultural land is outstripping supply significantly. Evidence suggests that the market is being driven by farmers expanding and also by investors seeking low risk, capital appreciating tax friendly assets. It is also noted that inside the M25 'house builders' and strategic land bankers are seen to be keen to build up their land portfolios. Furthermore, it is also worth noting that land within the M25 has for a number of years been considered as the 'guilt edge' on speculative and landed investments by very large major institutional investors who may be willing to hold the asset for many years in the hope of obtaining favourable planning consent.

3.6.3. **Concerns that the revenue will not cover the financing costs;**

3.6.3.1. See part 2

3.6.4. **Concerns over the transparency of the letting arrangements;**

3.6.4.1. The farm and land were offered exclusively to the Council "off market" with vacant possession being provided upon completion. As the farm is not in the Council's ownership we were unable to offer this opportunity to the market without

alerting others to the fact that the farm was being marketed.

3.6.5. **It was agreed that a second independent valuation of the land would be undertaken;**

3.6.5.1. It is important to note that a second valuation is not required under either the Council's Property Procedure Rules or the Local Government Act 1972. As qualified and registered valuers, Knight Frank has the required expertise to undertake this work, and the existing valuation can be relied on in decision making. A second valuation has, however, been undertaken on this occasion only to provide further assurance and this will not become common practice moving forward. This valuation was undertaken by Whirledge & Nott (a company with considerable specialist expertise in agricultural property business). Key findings are included in the Part 2 report.

3.6.6. **How does the Council monitor the arrangements of Knight Frank as the Council's Green Belt Managing agents, but also as the company that provided the valuation for the acquisition?**

3.6.6.1. Meetings take place between Council officers and KF every 6 – 7 weeks. There is also an annual review meeting.

3.6.6.2. All transactions follow the Council's procedures and everything is approved via the Council's scheme of delegation.

3.6.6.3. The valuation was provided by a qualified Chartered Surveyor who is also a Registered Valuer. Furthermore, this valuation was peer reviewed by KF's Head of UK Country Valuation Department; the Home Counties Head of Rural Valuation and also by the Head of KF's UK Rural Consultancy.

3.6.7. **Para 1.6 reference to section 123 of the Local Government Act 1972 is not the right section as this deals with disposals;**

3.6.7.1. This was a typographic error in the Cabinet report. However, Knight Frank's report does make reference to section 120 as required for acquisitions under the Local Government Act 1972.

3.6.8. **More information requested on the non-financial benefits re: Public Health Implications;**

3.6.8.1. The public health implications on these types of transactions are very difficult to quantify as the acquisition does not per se give rise to a particular use. However, given that the intention is to retain the land in its current form for the foreseeable future, it could be argued that the main public health benefits are:

- Health benefits associated with maintaining economic activities that do not result in environmental damage/pollution particularly given modern methods of farming.
- Modern farming methods are also known to promote biodiversity, which is important to the planet's longevity and according to the IUCN is important to human (physical and mental) well-being.
- The provision of healthy foods (e.g. fruit and vegetables) that are locally grown and locally sold. This in turn reduces the carbon footprint of the economic activity which contributes to a healthier planet.
- By promoting the retention of rural based economic activities, it could be argued that this assists in diversifying the borough's employment base offering greater variety and indeed healthier employment opportunities.
- Finally there are also important micro-climatic benefits associated with maintaining greenbelts around urban areas and the contribution greenbelt land has in improving air quality and reducing urban heat island effects.

**4. REASONS FOR RECOMMENDATIONS**

4.1.1. These are contained in the original Cabinet report.

## **5. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

### **5.1. Financial Implications**

5.1.1. These are contained in the original Cabinet report.

### **5.2. Legal Implications**

5.2.1. These are contained in the original Cabinet report.

### **5.3. Property Implications**

5.3.1. These are contained in the original Cabinet report.

### **5.4. Key Risks**

5.4.1. These are contained in the original Cabinet report.

### **5.5. Impact on Council Priorities**

5.5.1. These are contained in the original Cabinet report.

### **5.6. Equalities Impact Implications**

5.6.1. These are contained in the original Cabinet report.

### **5.7. Performance Management Implications**

5.7.1. These are contained in the original Cabinet report.

### **5.8. Public Health Implications**

5.8.1. These are contained in the original Cabinet report with further information as at 3.3.8.1.

## **Appendix**

Part 1 Cabinet Report No: 185. 11<sup>th</sup> March 2015