

SUSTAINABLE GROWTH AND ENVIRONMENT CAPITAL SCRUTINY COMMITTEE	Agenda Item No. 6
20 JANUARY 2014	Public Report

Report of the Executive Director - Resources

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MANAGEMENT OF THE FARMS ESTATE AND FUTURE PROPOSALS

1. PURPOSE

- 1.1 This report has been produced as a response to a request from the Chair of the Sustainable Growth and Environment Capital Scrutiny Committee (SGECSC) for an update on the management of the Council’s farms estate and confirmation of what future proposals the Council has for the estate.
- 1.2 The report outlines the current farm estate, some options for development and a proposal to establish a review group to develop a long term strategy for the development of the estate.

2. RECOMMENDATIONS

- 2.1 The Sustainable Growth and Environment Capital Scrutiny Committee is asked to note the contents of this report and comment on the proposals to set up a review group to look at a range of matters affecting the future management of the Council’s farms estate. To inform the development of the strategy.

3. LINKS TO THE SUSTAINABLE COMMUNITY STRATEGY

- 3.1 This report links to the delivery of sustainable growth through the effective management of the Farms Estate.

4. BACKGROUND

- 4.1 The Peterborough Farms Estate was purchased by the Council approximately 100 years ago. It is a statutory smallholdings estate held by the Council under the provisions of the Agriculture Act 1970. Section 39 of the Act states;

“In the performance of their functions under this Part of this Act smallholding authorities, having regard to the general interest of agriculture and of good estate management, shall make it their general aim to provide opportunities for persons to be farmers on their own account”.

- 4.2 Central government policy is to encourage all smallholdings authorities, such as Peterborough, to retain and develop their farms estates with the following aims:
 - *To provide opportunities for new entrants into farming*
 - *To provide examples of best practice*
 - *To provide a positive link between the city and the surrounding rural land*
 - *To support the local rural economy*
- 4.3 The most recent government report *The Importance of the County Farms Estate to the Rural Economy*, November 2008, made a number of key recommendations, including:
 1. *Regional Economic Strategies should recognise the importance of the County Farm*

structure as a crucial entry point for new entrants to agriculture

2. *Local authorities should take a longer-term view when considering sale of land to seek to maximise revenue for development whilst not undermining the principle objectives of the estates*
3. *Local authorities should develop the wider benefits of their holding with particular regard to renewable energy, local food, public access, education, employment and the broader rural economy*

- 4.4 The Estate is managed on behalf of the Council by Serco using a dedicated Rural Practice Surveyor. This forms part of the overall management of the Council's property assets. Strategic management of the assets and monitoring of the Serco contract on asset related matters are the responsibility of the Corporate Property Officer (CPO). Changes to the Senior Management structure within the Council, which took effect in November last year, formed the basis for a strengthening of Asset Management by bringing previously dispersed responsibilities for land and property asset management together. In doing so the Council has now established structures and partnership arrangements with Serco to provide both an operational and strategic focus from a single point through the newly created post of Head of Corporate Property and Children's Resources.
- 4.5 The farms estate consists of a total land area of 1,217 hectares (3,007 acres) consisting of :-
- 15 equipped holdings (with house and buildings)
 - 7 holdings with land and some buildings (no dwelling)
 - 12 bare-land lettings (no buildings)
- 4.6 The estate is located in three areas of the city, Newborough, Thorney and Fengate (see plans in Appendix A, B and C). Newborough has by far the largest numbers of assets and accounts for nearly 90% of the estate by area. A short summary of each is set out below -
- 4.7 **Newborough – 1066 ha (2634 ac)**
The land is largely a mix of peat based soils over clay subsoils and medium to stronger clays with some sandy areas, all classified grade 2. Most of the land is suitable for growing a variety of arable crops with some of the lighter land suitable for root crops including sugar beet and potatoes. The majority of the land is farmed as arable land. There is limited livestock farming. There are 13 fully equipped holdings, 7 lettings with some farm buildings but no dwelling and 8 bare land lettings making a total of 28 holdings. The condition of a number of dwellings and farm buildings, many of which were constructed during the 1960/70's, not only reflect the age of the asset but also the fact that there is a high incidence of subsidence in this area. The residential dwellings on the estate have suffered particularly badly. Over time significant expenditure will be required if the properties are to be brought up to modern farming standards. One of the proposed areas for review is the required programme for investment into the farms estate to address both condition and suitability of built assets across the estate, both residential and non-residential.
- 4.8 **Thorney – 115 ha (284 ac)**
There are 2 equipped holdings with houses and buildings and three small bare land lettings. The main block north of Thorney is medium clay loams over a gravelly sub-base, all grade 2 suitable for producing good quality cereals and break crops, such as beans and peas. The bare land letting south of the new Thorney bypass is peat over clay.
- 4.9 **America Farm at Fengate – 41 ha (102 ac)**
One of the first holdings to be purchased by Peterborough, equipped with a cottage and basic buildings. Predominantly reasonable quality peat based soils over clay subsoil, all grade 3a, the farm is entirely arable and is suitable for growing wheat, sugar beet and root crops. The land suffers from drought in summer due to excessive drainage by North Level Internal Drainage Board (IDB) maintained dykes that surround the land.
- 4.10 The estate currently contributes a net income to the council of about £200k per annum allowing for annual maintenance costs mainly arising from the building stock across the estate. With the recent trend of rising world food prices this is likely to increase the income levels, to the Council.

- 4.11 The estate is valued on an existing use value basis which is the standard approach when valuing assets which are let. The estate as a whole was valued in April 2013 and established a value of £11.25m. The valuation was undertaken by specialist external valuers Wilkes Head Eve and took account of the variety of tenures under which the estate is occupied. There are a variety of different lease arrangements to farmers of the land over different periods.
- 4.12 Agricultural land values have risen dramatically since the global financial crisis in 2008 and are currently at an all time high. The poor performance of other investment tools has led to significant investor interest in agricultural property in recent years. This includes interest from the major funding institutions which have recognised the inherent investment safety of agricultural land and property as an investment.
- 4.13 As a consequence of this valuation of the estate is extremely difficult. Virtually no let agricultural property has been sold in England for several years. Unlike land which is vacant, the market value of let property is linked to the return an investor would seek from the rental income, after taking into account the costs of running the property (repairs etc) and potential windfall gains through development.
- 4.14 As a result of the Localism Act 2011, recent relaxations on planning with permitted development rights (meaning a relaxation in the requirement to apply for planning permission for certain development) and the continued growth of the city, there may be greater potential for development over time than has been the case over the past few years.

5. KEY ISSUES

- 5.1 The farm estate the council retains is a valued and important aspect of the work of the city council and the character of the authority. The council needs to protect these assets whilst maximising their financial benefit of these assets and enhancing the rural economy. There has not been a significant review of the farm estate for many years and it is proposed that is now an appropriate time to consider how best the farm estate could be used. It is therefore proposed to establish a farm review group to develop a strategy for their future.
- 5.2 The Farms Estate is potentially a very valuable economic, social and environmental asset which should continue to contribute positively to the wider objectives of the Council and Peterborough. Diversification and better utilisation of the assets could bring about a wide range of benefits. It is proposed that these would be one of the main areas for that review group to consider. Some of the potential uses of the estate farms are summarised below:
- **Education** – links with local schools could be forged to provide an understanding of how food is grown and how farms influence the environment around Peterborough. There are buildings on the estate that could be converted to informal class rooms. One large local 14-19 education provider has already expressed serious interest in forging a link with the estate, possibly taking on a small tenancy or working in partnership with a tenant. As part of the energy park project there may be scope for the use of existing buildings or, undertake new build, to establish a visitor centre which would showcase both renewable energy and farming.
 - **Environmental Best Practice** – there is scope for farms to demonstrate good environmental practices. Nene Park Trust and Sacrewell Farm already provide some of this to the west of Peterborough. Sacrewell Farm has concentrated on Organic Farming and incorporated the principles of this into its visitor centre. Discussions with the RSPB indicate considerable scope to improve the environmental value of the estate. Some trees have already been planted as part of the Peterborough Forest initiative within the farms estate but there is scope for more without altering the character of the existing landscape.
 - **Local Food** – the soils on the estate are flexible in what they can grow and there is scope to reintroduce the growing of crops for local consumption, reducing carbon

footprint and forging a link between the city and its rural surroundings. For example, some food grown on the estate could be branded to reinforce the integration of city and its local surroundings.

- **Energy** – Growth of biomass crops such as beet or for renewable energy production is a key economic opportunity. The Peterborough estate is generally best suited to growing food crops but there is some scope for limited biomass production linked to specific users e.g. schools and public buildings.
- **Ethnic Diversity** – Peterborough has a diverse population. There is potential for a farm or farms to be tenanted by new entrants of non-British backgrounds who would grow crops specifically with their community in mind. This would help forge stronger links between the city and rural areas as well as helping integration of diverse communities.
- **Care Farms** – This is a national movement providing education and training for children excluded from school or children and adults with learning and or physical disability. Not only are these opportunities stimulating, they do have high success rates for example in helping children return to mainstream education. The consequential financial and social benefits around this can be quantified. Other Eastern Region counties have successfully developed care farms, e.g. Suffolk County Council
- **Renewable Energy Project** – The Council is seeking to deliver a range of renewable energy projects utilising its own assets. The proposed Energy Park project fits with the Government's stated aims for future diversification options for farms estates (as outlined in 4.3).
- **New Entrants into Farming** – Provide opportunity for new entrants into farming. There is great demand for farms to rent. Whilst it is difficult for newcomers to establish themselves in farming because of the considerable working capital required, there is some scope to enable new entrants into farming. It is understood that this is something Cabinet is keen to encourage. New entrants will help ensure that the farms themselves are proactively managed and in turn the income received by the Council is protected and where possible increased. The greater the incidence of new entrants the more the Council will be able to plan for a range of holding sizes particular given the age profile of the existing tenants is predominantly older age groups. Presently there is only one tenant under 55. Typically, on vacant possession, there is pressure to take this highest bid for the land (capital or revenue) which ordinarily would come from the consolidation of land under one farm operator. It is often the case that larger farms preclude new entrants in particular young people coming into farming. Potentially, the proposed community based financial contributions stemming from the Energy Park project might be used to train and then support new entrants.
- **Planning & Development** – Current government planning policy is to encourage redevelopment of a range of buildings including farm buildings by relaxing the criteria for development in rural locations. There may be some potential to realise greater value from the estate through reuse of buildings no longer suitable or required for agricultural purposes.

5.3 In addition to these diverse uses, there are a number of other factors to consider as part of the review -

- In the medium-term, it is anticipated that farm rents on the estate will be stable or rising which will give the council good income protection in a volatile market for other investment classes.
- Tenants have shown some willingness to diversify, thereby strengthening the local rural economy and improving rental returns on the estate
- Government policy is to encourage the retention and use of the county smallholdings estates where appropriate
- The Peterborough Farms Estate has scope for improved integration with the urban community

- Several farms are let on short-term tenancies and prior to termination of these tenancies it would be an opportunity to review and re-organise existing farm tenancies to optimise revenue returns, capital values but also wider social and economic returns.
- In the long term there are likely to be opportunities for windfall profits through the release of land and buildings for higher value uses, including development as part of structured approach to managing the estate.
- Peterborough is set for continued population growth. The estate represents a land bank for the Council which could provide significant social and economic dividends in the future. Part of the farms estates could for example help support the delivery of affordable housing on exception sites (those sites not currently allocated for development in the Local Development Framework)

5.4 The aim of the review of the farms estate is to develop and review a range of options with the intended outcome being the establishment of a long term strategy for the Farms Estate.

5.5 As part of the current Medium Term Financial Plan (MTFP) some capital receipts have been identified from releasing land from the farm estate. This is based on the current strategy of phased disposal when tenancies either expire or about to expire. This approach may change as a consequence of the review.

5.6 An initial meeting with representatives of the farm tenants has been held to discuss the potential scope of the review group. Following this committee meeting, a formal working group will be established to include representatives of the farm tenants, councillors and relevant council officers. Specialist representations from groups such as the wildlife trust and other interested bodies will also be sought.

6. IMPLICATIONS

6.1 There are no implications of this report other than the timetable and process for the review of the farms estate being brought forward by the CPO will be influenced by the role of the review group, frequency of meetings, its terms of reference and actions coming out of this.

7. CONSULTATION

7.1 This is the first of a series of reference/information briefings for members. This briefing is intended to concentrate on the background to the estate and the current management arrangements and as an outline for a comprehensive study of the estate as part of Strategy setting going forward. As the work of the review group continues, this will be shared at future meetings and the final strategy will be subject to public consultation if deemed appropriate.

8. NEXT STEPS

8.1 The key next step is to establish the review group, develop its terms of reference, membership and scope out an initial work-plan. It is proposed that a further paper is presented at a future scrutiny committee.

9. BACKGROUND DOCUMENTS

None

10. APPENDICES

Appendix A Newborough Farms Estate Plan

Appendix B Thorney Farms Estate Plan

Appendix C America Farm Estate Plan

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