

CABINET	AGENDA ITEM No. 12
19 DECEMBER 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Christine Addison/Felicity Paddick	Tel. N/A

RURAL DISPOSALS

RECOMMENDATIONS	
FROM: <i>Executive Director of Corporate Services</i>	Deadline date: <i>N/A</i>
It is recommended that Cabinet:	
<ol style="list-style-type: none"> 1. Agrees conditionally, subject to final assessment as set out in paragraph 4.6 of the report, to the proposed disposals of four farm holdings as set out below and detailed in the confidential appendix with final decision about disposal and terms to be delegated to the Executive Director of Resources and the Director of Legal in consultation with the Cabinet Member for Finance and Corporate Services. 2. Notes the proposed marketing for disposal of the vacant Turves Farm. 	

1. ORIGIN OF REPORT

- 1.1 The Council agreed at September Cabinet to a disposals plan which identified assets which the Council can release for sale over the period 2022-2025 to meet its target for capital receipts to support the Council's budget and capital strategies. This included, subject to detailed review, a phased disposal of parts of the Council's rural estate. The report recommends the first phase of disposal of rural assets following assessment of a number of offers received by existing tenants which have been verified externally and can be recommended as best consideration. A further phase of disposals will be brought to Cabinet by Spring 2023 following further assessment and marketing where necessary.

2. PURPOSE AND REASON FOR REPORT

- 2.1 To consider the individual disposals of four holdings as detailed in this report and exempt annex.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.4, '*To be responsible for budget planning, monitoring and expenditure/savings over £500,000.*'
- 2.3 There is an exempt appendix attached to this report that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains information relating to the financial and business affairs the Council. The public interest test has

been applied to the information contained within this exempt appendix and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
---	-----------	----------------------------------	------------

4. **BACKGROUND AND KEY ISSUES**

- 4.1 The Council's rural estate currently comprises circa 3,000 acres of grade 2 and 3 arable land, together with dwelling and yard facilities across part. The estate benefits from 21 tenants with holdings of various sizes, with the majority on modern Farm Business Tenancy agreements and others on historic Agricultural Holdings Act tenancies
- 4.2 Since 2015 the Council's strategy had been to consolidate the estate into a small number of larger holdings with a small number of 'starter farms'. In addition, five years ago the Council made a decision to invest in some additional grain stores and drainage. The Council retains some liability for improvement in the farm estate.
- 4.3 The Department for Levelling Up, Housing and Communities Local Government Finance Review for Peterborough City Council in November 2021, identified the need for capital receipts and the rural estate was proposed as part of the suggested disposal of assets. Furthermore, and specifically for the rural estate the report recommended that:
- No new Farm Business Tenancies (FBT) are agreed
 - The strategy to date of individual holdings of 400 acres, is arguably too small having regard to the capital requirements for equipment and machinery and the reducing subsidies that are available
 - The proposed strategy would not provide the most optimum size of arable unit at 400 acres and therefore question the viability of the proposed strategy
 - No further capital investment in farms such as new grain stores
- 4.4 The Council's Capital Strategy 2022/23-2025/26 requires a significant level of capital receipts to replace borrowing. The disposals plan, which included the rural estate, was set out and approved at September Cabinet.
- 4.5 A review of the rural estate is under way. This will be reported as part of the updated Asset Management Plan in 2023. This will identify holdings which the Council may retain for future strategic purposes including future employment, housing or achieving carbon targets; and holdings which could be retained or disposed of and restricted to agricultural uses. The disposal plan included in the Cabinet report in September 2022 outlined the plan to dispose of programme of rural holdings in a managed and phased way over a period of three years or more. This will allow the strategy to be reviewed over time, to either speed up increase or decrease the disposal programme, and to ensure that best consideration is achieved.
- 4.6 Previously in 2021 discussions were opened with existing agricultural tenants about the potential for them to acquire their farms on a first refusal basis. This led to a number of expressions of interest from tenants six of which have been followed up with formal offers. All of the offers have been tested to check whether they are at market value and whether in selling the Council can achieve best consideration. On this basis four offers are recommended for conditional acceptance in this report, subject to a final assessment of

whether there are any strategic implications arising from the potential disposals and that the Council's position in such circumstances is properly protected. In the event that disposal at this point is achievable, this will be subject to agreed Heads of Terms and formal valuations, and appropriate restrictions and overage clauses, with a view to completion of sales in the current financial year. The holdings proposed for disposal are:-

- Steamhouse Farm (Part) – Proposed purchaser is the existing tenant
- Eardley Grange Farm, Wrights Drove (Part) – Proposed purchaser is the existing tenant
- Hurn Farm (Whole) – Proposed purchaser is the existing tenant
- Avenue Farm (Part) – Proposed purchaser is the existing tenant

- 4.7 The financial detail of each recommended offer is included within the confidential appendix. Each tenant has confirmed that they would be in a position to enable completion to take place by 31st March 2023.
- 4.8 The four holdings included in this report are not in the strategic hold category and the proposed disposals are all on the basis of restrictions for agricultural use. Prior to further negotiation with the tenants, consideration has been given to any future strategic requirements the Council may have over time which could affect its agricultural holdings. Furthermore, as is usual with agricultural disposals, overage provisions are included in the Heads of Terms along with the agricultural restrictions to ensure that the Council is able to control future use and should development be possible in year to some the Council is able to protect a share in the uplift in value that comes about as a result.
- 4.9 Prior to the offers being received, market appraisals were undertaken as it had been. by Brown & Co, a well-regarded and local rural surveyors practice, to enable the Council to have a greater understanding on the current market of agricultural land and holdings. The appraisals identified the current market rate per acre and the value of the yard and dwellings, if applicable. The confidential appendix includes the values that Brown & Co outlined for the holdings detailed above. Following the receipt of the offers, additional advice has been sought from Savills' national rural advisory division, who have commented on the market and the individual offers received which supports the recommendation to dispose of these four holdings on the terms proposed and CIPFA was also asked to check and challenge the proposals.
- 4.10 Following consideration of advice received on the reports from Brown and Co, the view of officers is that is that the four recommended offers are acceptable taking into consideration reductions in rental income which will arise and removing Council liability for investment where required, as set out in the financial implications. It is considered that these disposals will achieve best consideration as required. It is therefore recommended that the proposed four offers detailed in the confidential appendices are recommended for acceptance, subject to formal valuation and final terms, to enable the sales to complete in the current financial year if possible.
- 4.11 It should be noted that two offers received have not been included in this report for consideration at this stage. One was below market value and the sixth offer was from a third party. The third party offer related to a number of sites and it is not recommended that this should be considered until the rural strategy review work has been completed so that the implications of splitting the estate are understood better. However, the four disposals recommended in this report are on the peripheral areas of the estate with little impact on the remainder and it is recommended that PCC continue with the proposed sales to existing tenants at this time.

4.12 Key points on Heads of Terms to be agreed are as follows:

- Property inc. Plan
- Vendor
- Vendor Solicitor
- Purchaser
- Purchaser Solicitor
- Purchase Price
- Deposit on Exchange – 5%
- Restrictions to Agricultural Use
- Overage Provisions – 25-year period with 30% uplift of value
- Timescales – completion by 31st March 2023
- Conditions – subject to contract & Red Book valuation

4.13 In addition to the above, Turves Farm has recently been vacated and PCC commissioned a selection of market appraisals from rural agents. Notable market commentary received on the rural market nationally and locally is as follows:

The continued constrained supply, whilst beginning to return to normality, has impacted the market with a growing pool of buyers frustrated by the lack of opportunity. Values are supported by the continued supply and demand imbalance. Savills agents are finding that this has generated such a demand that land can be under offer for up to 20% more than its guide price, from smaller farms to larger commercial estates.

This quarter, land prices have continued to rise, with the overall average farmland value in Great Britain increasing by 3.3% to £7,600 per acre. The average values for prime arable and grade 3 grassland across Great Britain are now around £9,700 and £6,300 per acre respectively.

Values for agricultural land to the east and south of Peterborough are lower than that seen nationally and further afield.

4.14 It is therefore intended to proceed to place the vacant Turves Farm for sale on the open market and should this lead to acceptable offers a separate report will be brought to Cabinet to consider its disposal.

5. CORPORATE PRIORITIES

5.1 The recommendation links to the Council's Corporate Priorities as follows:

1. The Economy & Inclusive Growth

- A Carbon Impact Assessment has been completed - With the sale of land within a rural location, this could have a detrimental impact on PCCs net-zero carbon agenda by 2030. However, the sales restrict the land use to agricultural uses only.

6. CONSULTATION

6.1 The tenants affected are the purchasers and have been engaged with throughout.

6.2 This recommendation been considered by the Corporate Leadership Team (CLT) and Cabinet Policy Forum (CPF).

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 The disposal of part of the rural estate will materially contribute to the capital receipts that PCC require over the next three-year period.
- 7.2 In proposing to dispose of assets the potential for revenue loss will need to be taken into account alongside the removal of any future financial liabilities that currently sit with the Council.

8. REASON FOR THE RECOMMENDATION

- 8.1 The Council needs to secure capital receipts in this financial year and up to 24/25.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 The Council can continue to let the estate on the FBTs and AHAs that are currently in place. However, this will not enable PCC to fulfil its requirement for significant capital receipts and there is the continued liability of needing to supply grain stores and improve the infrastructure across the estate.

10. IMPLICATIONS

Financial Implications

- 10.1 Following the sale of any of the holdings, the Council will generate material capital receipts in 22/23 to contribute to the target of reducing its borrowing requirement to fund its capital programme. In addition, the disposals will remove any future liability relating to PCC's repairing obligations and improvement in infrastructure which is in part reflected in the agreed sale prices.

However, the current revenue stream of circa £50,000 from rental income under the existing agreements will cease for the part of the holdings that are sold. Although relatively minor in terms of the capital receipt to be generated, this loss of income will need to be factored into future budget projections within the Council's Medium Term Financial Strategy.

Due to the confidential nature of the detailed offers, the financial implications outlined above are included within the confidential appendix to this report.

Legal Implications

- 10.2 Section 123 LGA 1972 guidelines to be followed to include best consideration as per point numbered 7.4.

Point numbered 2.8 refers to a third party (in which case a notice to terminate the current FBT would be required).

Sale of one 'whole' and three 'parts' to existing tenants. The sales of part would need to be accompanied by a deed of surrender of part of the FBT (which can be done by agreement i.e. no formal notices with associated notice periods). The surrenders would be for nil consideration. The sale and surrender would complete at the same time.

- 10.3 The Council has a requirement to achieve best consideration when it disposes of its assets under section 12 of the LGA 1972

Equalities Implications

- 10.4 No specific implications arising from this report although where necessary Equality Impact assessments will be carried out to support decision making.

Risk Assessment

- 10.5 There is a risk that the level of receipts planned to support the capital programme will not be realised. This is mitigated with a cautious view about what is achievable and how quickly with receipts scheduled into 2023/24 and beyond rather than over predicting in the current year.
- 10.6 These offers are conditional and subject to final Heads of Terms and contract including appropriate restrictions and overage to protect the Council's interest, in particular where there may be future development potential from these sites.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 11.1 There are none.

12. APPENDICES

- 12.1 Appendix 1 - Exempt