

12 October 2015

Agenda Item: 6a

REPORT OF SERVICE DIRECTOR TRANSPORT, PROPERTY & ENVIRONMENT

NOTTINGHAMSHIRE COUNTY COUNCIL FARMS AND SMALLHOLDINGS PORTFOLIO

Purpose of the Report

1. This report considers options for the future management of the Authority's rural portfolio and makes recommendations for consolidation of the Estate.

Information and Advice

2. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position. The exempt information is set out in the exempt appendix.
3. Nottinghamshire County Council owns 25 farms & smallholdings spread throughout the County with a total area of approximately 1300 acres (526 Hectares). The locations of these are shown on the attached plans.
4. These farms were acquired over a number of years to meet policy objectives pertaining at those times. For instance, the purchase of agricultural land adjacent to urban areas to facilitate future development allowing the Authority to both generate a capital receipt and have input in the local development process. An example of this is land at Gamston which is potentially part of major South Nottingham development opportunities.
5. Other holdings were purchased to support rural policy pertaining at those times to allow new entrants into agriculture. These holdings are in more rural areas with less potential for medium term development. One such example is Westfield Farm at Westborough in South Kesteven District, Lincolnshire.
6. The Authority also has other land holdings which are currently in agricultural use but which do not form part of this Portfolio. For example those which were acquired to facilitate development / corporate objectives, e.g. road schemes, Lyndhurst, Rushley Farm West etc. and agricultural/rural holdings held as part of the Green Estate. The review of these other holdings is being conducted outside the scope of this Report.

7. The approximate capital value (taken from the Asset Management system) of all holdings is approximately £8.5 million. This figure relates purely to their value in existing use and does not include any values attributable to development potential.
8. The farms are let on different types of agricultural tenure and the rental income received is £115,000 per annum. The schedule in the appendix lists the basis of tenure for each holding, either 86 Act tenancies or 95 Act Farm Business Tenancies.
 - The 86 Act (Agricultural Holdings Act 1986) tenancies are lifetime tenancies, which terminate upon death of the tenant.
 - The 95 Act (Agricultural Tenancies Act 1995) tenancies are for fixed periods of two years and upwards. Since 1995, these are now the norm in respect of lettings.
9. A review of the portfolio was carried out in 2010 at which time it was recommended that five holdings were sold. The five properties were subsequently sold via public auction resulting in net capital receipts of £3.8 million.
10. Historically the Council employed an in house specialist Rural Practice surveyor to manage these holdings. Following retirement and deletion of this post in 2010 management has been covered by Estates Surveyors with support from external specialist Rural Practice surveyors.
11. Up until 2015, no rent reviews had been carried out since 2009. This is due to the passing rents being, in general, at or about market levels, and the fact that between 12 and 24 months' notice is required to instigate a review. External specialist Rural Practice surveyors were instructed in 2013 and have now reviewed the rents at 5 holdings. This has resulted in an overall rent increase of 37% with two further reviews under negotiation. It is intended to have further reviews carried out on an additional ten properties in the next 24 months.
12. Approximately one half of the holdings comprise land only (63% by area), whilst the remainder have buildings (farm dwelling houses, barns and other agricultural buildings).
13. Where there are buildings on the holdings the Council has repairing liability under the terms of the tenancy agreements. The present listed cost of repairs needed to put the houses & buildings into satisfactory condition is £1.36 million (Source NCC Condition Survey, November 2014).
14. A further comprehensive review of the portfolio has recently been carried out. From this review it is recommended that the following strategy be adopted:
 - i. Category A: those holdings with short to medium term significant development potential which it is recommended should be retained and appropriately managed until such time as the Holdings can be disposed of for their full development potential. These holdings number twenty, of which ten have houses and buildings. Current repairing liabilities amount to £765,000. An estimate of the likely proceeds from the eventual sale of these holdings for their (future) development potential is contained in the exempt

appendix, but it should be remembered that these sales will take several years to accomplish (planning requirements etc.)

- ii. Category B: Holdings considered to have limited or no potential for significant development which are primarily recommended for disposal. These number five, four of which have houses and buildings. Current repairing liabilities amount to £570,000 whilst rental income is £21,000 per year. The proposed terms for the sale of individual holdings will be the subject of individual reports to future meetings of Committee. An estimate of the likely capital proceeds from the sale of Category B holdings is contained in the exempt appendix.

The exempt appendix details the farms and smallholdings portfolio, categorised as detailed above.

15. Disposals of Category B holdings will be scheduled in order of the expected highest capital receipt. Advice will again be sought from specialist Rural Practice surveyors as to the timings and method of disposal for each, with a target to completing all sales within the next 12 months, commencing at the earliest opportunity.

16. Any capital receipt generated from disposals will be used for debt repayment.

17. Savills LLP report that the farmland market has shown extraordinary growth during the past five years. This is due to various factors, including:

- Demand outstripping supply (E. Midlands 5 year average supply has fallen by over 30%, and 2014 witnessed the smallest number of acres publicly marketed since the end of World War 2).
- New entrants into the market
- Profitable farming
- Inheritance tax benefits
- Economies of scale
- Low interest rates
- Banks with a real appetite to lend to agriculture

TABLE 1

Historical value growth over the past two decades

Type	2004 to 2014	1994 to 2004
Prime arable	277%	41%
All types	254%	40%
Poor grassland	260%	38%

Source: Savills Research

Other Options Considered

18.

- A) Disposal of the entire portfolio. The estimated capital receipt would be in the

region of £8.5 million if sold as is and tenanted. It is difficult to have certainty around a valuation in view of the need for a thorough examination of each holding to ascertain development values etc. Disposal of the holdings could generate a significant capital receipt but a loss of income of £115,000 per year at present levels. Where development potential exists, the capital receipts from the sale of land for its development potential will be significantly greater than sale for existing agricultural uses. If all holdings were sold then the Authority would lose the opportunity to influence the development process in areas of growth. This scenario is not recommended.

B) Retention of the entire portfolio. This scenario is not recommended either. Whilst this is sensible for those holdings having short/medium development potential there is merit in considering the disposal of holdings which have no long term development potential and/or holdings which have a major repairing liability with little prospect of a significant increase in rent.

Reason/s for Recommendation/s

19. i) To produce a capital receipt for the Authority allowing debt repayment;
- ii) To reduce future repairing liabilities.

Statutory and Policy Implications

20. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the Strategy outlined above is approved by the Committee.

Jas Hundal

Service Director – Transport, Property & Environment

For any enquiries about this report please contact: Tim Slater Tel: 0115 977 2076

Constitutional Comments (CEH 22.09.15)

21. The recommendation falls within the remit of the Finance and Property Portfolio. When disposing of its land the Council is required to obtain the best price reasonably obtainable on the open market.

Financial Comments (GB 21.09.15)

22.The financial implications of the proposed strategy are set out in the body of the report.

Background Papers and Published Documents

23.None.

Electoral Division(s) and Member(s) Affected

24.Ward(s): Other
Member(s): n/a Outside Nottinghamshire

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Properties affected: 09998 - Various NCC Properties/non-property item