

Report of Cabinet Member for Corporate Services

## **Disposal of Acres Farm Naburn**

### **Purpose of the Report**

1. Cabinet approval is sought for the sale of Acres Farm to the fourth highest bidder in accordance with the recommendation below following the earlier approval to sell the property which was given by the Executive on 17 April 2003.

### **Background**

2. Acres Farm is situated in a semi rural position, approximately 3 miles south of York city centre. It comprises two ranges of outbuildings (1,015 sq m/11,434 sq ft) in need of complete refurbishment together with a fold yard (404 sq m/4,300 sq ft) and agricultural land (8.85 acres). The agricultural tenancy on this property was surrendered some time ago and the buildings and land are currently used for storage and grazing of sheep by the adjacent farmer on a temporary licence arrangement which would expire automatically on completion of a sale of the property.
3. In addition to the above, there is also a farm bungalow on site which is currently leased on a secure tenancy and this property cannot be disposed of under existing legislation and must be retained by CYC unless vacant possession is obtained. The bungalow is, therefore, excluded from the proposed sale but a 20 year option to purchase the bungalow is to be included in the contract of sale in the event that vacant possession is obtained within that period.
4. Access to both Acres Farm and the bungalow is currently gained via a temporary right of access through the neighbouring Naburn Lodge Farm.
5. The property has, therefore, recently been marketed for potential redevelopment by agents, Bruton Knowles, and seven sealed bids have been received. Only the four highest bids have been evaluated as the remaining three were significantly lower on price.

## **Consultation**

6. The property was last used for agricultural use and any alternative use, therefore, requires planning permission.
7. A marketing report was obtained from an external agent in March 2011 providing advice on the suitability of the property for employment uses and it was concluded that such uses were not economically viable in this location. Planners, therefore, agreed to consider conversion of the existing outbuildings to residential uses and it was concluded from pre application advice that the property may be suitable for conversion to one or two dwellings, subject to planning permission.
8. Outline planning permission has already been granted for the creation of a new access route from the B1222, Naburn Lane.

## **Options**

9. As sale of the property in principle has already been approved, it is considered that the options are now to proceed with a sale to one of the bidders for a substantial capital receipt. In accordance with the recently approved Asset Management Strategy, the bids have been assessed against the four criteria for the Asset Management Strategy. These are as follows:-
  - i) Reduce revenue costs, increase revenue income and generate capital
  - ii) Support economic development
  - iii) Create new permanent homes
  - iv) Create new community value

## **Analysis**

10. Option1      Dispose of Acres Farm to Bidder A
11. Although this bid is the second highest, it is conditional only on extending the buyer's option to purchase the bungalow to 40 years (in the event of vacant possession being granted in the future) and is a cash purchase which is not conditional on planning. It is, therefore, considered that this bid presents the lowest risk as regards a successful completion. The buyer, however, could possibly secure planning permission at a later date for retail development in conjunction with the nearby retail outlet and the property could potentially have a higher value than that offered. It is,

therefore, suggested that if this offer were accepted, a suitable overage provision would need to be included in the contract.

12. As this bid is unconditional, it would not be practicable to place a restrictive covenant on the use (as would be possible for other bidders), therefore, Members might want to consider the potential *uses* which this buyer may wish to pursue in the future (see paragraph 11.)

Although Bidder A has not confirmed its proposals for the property in the long term, it has indicated that it would initially maintain the status quo but 'may' seek to obtain planning permission for residential conversion in the future.

13. Acceptance of this bid would potentially satisfy the following key objectives of the wider asset review:

- i) Generate Capital – second highest

- ii) Support Economic Development – none confirmed in details of the bid

- iii) Create New Permanent Homes – n/a

- iv) Create Community Value – n/a

14. Option 2 Dispose of Acres Farm to Bidder B

15. This bid is the highest, however, it is conditional on planning consent to convert to a residential dwelling and source of funding is by way of the sale of a property. There are, therefore, risks associated with acceptance of this bid which may cause delays/failure to proceed.

16. Acceptance of this bid would potentially satisfy the following key objectives of the wider asset review:-

- i) Generating Capital Receipts - highest

- ii) Economic Development – n/a

- iii) Create New Permanent Homes – only one home proposed

- iv) Create Community Value – n/a

17. Option 3 Dispose of Acres Farm to Bidder C

18. This bid is the third highest. However, it is unconditional with proof of cash funding provided with the offer. The risk of this sale not

proceeding, therefore, would be low. However, the buyer could still decide not to proceed prior to contracts being exchanged.

19. Acceptance of this bid would potentially satisfy the following key objectives of the wider asset review:-

i) Generating Capital Receipts – third highest

ii) Economic Development – n/a

iii) Create New Permanent Homes –only one home proposed

iv) Create Community value – n/a

20. Option 4 Dispose of Acres Farm to Bidder D.

21. Bidder D (in partnership with Nottingham University) propose to develop the property for a Poultry Training Academy. University of Nottingham in conjunction with Bidder D is planning to create a Diploma/Masters degree in poultry production to start in 2013. The European College of Poultry Veterinary Science has been created to deliver a training programme for veterinary graduates in this speciality. It is proposed that the new facility would provide facilities for both the clinical poultry department of Bidder D but also allow prospective students to undergo further training for both veterinary related poultry qualifications and also poultry related qualifications for students from the industry. From information provided by Bidder D, it is anticipated that by 2015 up to 15 new jobs would be created including veterinarians, lab technicians, dispensary staff, farm field specialists and administrative assistants. By 2019, the number of new jobs should have increased to around 23 in total.

22. Economic Development has been consulted in respect of the employment aspect of this bid and GVA forecasts are as follows:

Assuming FTE's and forecast through to 2019

#### Output

Total impact in Yorkshire and the Humber = £17.1 million

Total impact in York = £14.8 million (approx £2.3 million indirect)

The options from Bidder D and the proposed European College of Poultry Veterinary Science aligns with the city's economic strategy, providing highly productive jobs and educational opportunities in the key growth areas of science and research, education, and the knowledge based economy.

The associated beneficial links with universities are well founded and are also embedded in the economic strategy.

The wider economic benefits to the region will enhance the agricultural aspects of growth strategies of the York, North Yorkshire and East Riding Local Enterprise Partnership area.

Agri-food has been identified as a nationally and potentially internationally leading strength of the York and North Yorkshire sub region, and as such the proposed development could contribute to the critical mass in this industry and positions the city to gain further supply chain benefits from these sector strengths.

23. This bid is the fourth highest. It is also conditional on the following:-

i) Satisfactory planning to Bidder D

ii) Satisfactory resolution of the highway/junction to allow adequate access for larger vehicles

iii) Satisfactory site investigation

iv) Satisfactory building survey to the buildings that are to be retained

v) Provision being included in the contract for deduction of abnormal costs that have not been allowed for in the bid

Risks associated with this bid are noted at paragraph 29.

24. Acceptance of this bid would satisfy the following key objectives of the wider asset review:-

i) Generating Capital Receipts – fourth highest

ii) Economic development – highest (see further info. in paragraphs 23 and 24)

iii) Create New Permanent Homes – n/a

iv) Create Community Value – n/a

### **Scoring**

25. Each of the four highest bids has been scored against the four main criteria of the Asset Review and a summary is attached at confidential Annex 1. Owing to the potential benefits with regard to economic development of Bidder D, this bid has the highest total score.

## **Approval by Capital and Asset Board**

26. A report along with the attached scoring matrix was presented at the Capital and Asset Board meeting on 26 November and a recommendation to sell Acres Farm to Bidder D was made.

## **Corporate priorities – Delivering the Council Plan**

27. The recommendation within this paper helps to deliver the council plan in one main priority area:

**Create Jobs and grow the Economy** – This will be supported as follows:

- The creation of up to 15 highly productive new jobs by 2015 and up to 23 by 2019 as well as educational opportunities in the key growth areas of science and research, education and the knowledge based economy.
- The wider economic benefits to the region will enhance the agricultural aspects of growth strategies of the York, North Yorkshire and East Riding Local Enterprise Partnership Area.
- Agri-food has been identified as a nationally and potentially internationally leading strength of the York and North Yorkshire sub region and as such the proposed development could contribute to the critical mass in this industry and positions the city to gain further supply chain benefits from these sector strengths.

None of the other bids help to deliver any of the objectives of the Council Plan.

## **Implications**

28.

- a) Financial – contained in the report
- b) Human resources – none
- c) Equalities – Each of the bids has been fully considered in respect of both the price offered and the proposed use and the three lowest bids dismissed on this basis. The four highest bids have then been fairly scored against the four criteria of the Asset Management Review.
- d) Legal – The Council has power, under s123 Local Government Act 1972, to dispose of land for the best consideration reasonably obtainable. “Consideration” means monetary or

commercial value and does not include other non-commercial benefits, such as job creation. The Authority may, however, take into account the certainty of any bid and the prospects of a successful completion in determining whether a particular offer amounts to reasonably obtainable consideration

- e) Disposals at less than best consideration require the consent of the Secretary of State. A general consent provided in Circular 06/03: Local Government Act 1972 General Disposal Consent (England) 2003, allows an authority to dispose of land at less than best consideration where to do so would promote the economic, social, or environmental well-being of its area, and provided the unrestricted difference in value is not more than £2 million. The report contains information upon which Cabinet could form as view as to the likelihood of a particular disposal promoting well being.
- f) European law in relation to state aid must also be complied with. State aid is a complex and developing area of law. The starting point is that the resources of the state should not be used to benefit a particular entity in a way which has the potential to impact on trade between member states. A sale of land which is at a price below the best offer may amount to such a benefit. There are exemptions including a useful de minimis exemption allowing aid of up to €200,000 to an organisation, from all sources in a three year period. Before finalising the sale it will be necessary to ensure that the disposal involves no state aid or that it is covered by an exemption.
- g) Crime and Disorder – none
- h) Information Technology – none
- i) Property – contained in the report

### **Risk Management**

29. There are risks associated with acceptance of the recommended offer, owing to the conditions listed above. In particular, although the buyer's agent has had informal discussions with planners and highways regarding the proposed development and alteration of the permission already given for the new access road, these are not certain. If planning permission was not achieved the property would be placed back on the market and it is expected that a similar level of receipt should be achievable, subject to market conditions at that time, although it will obviously be delayed. The risk of a potential reduction in the offer to meet 'abnormal costs' will be mitigated by

agreement of a maximum figure for each type of abnormal cost as a condition of the sale.

### Recommendation

29. Cabinet is asked to agree the sale of Acres Farm to Bidder D on the grounds that it reflects a reasonable market value for the land and creates a significant economic benefit for the city through the creation of jobs and training and best meets the requirements of the Asset Strategy and Council Plan.

Reason: To ensure the Council disposes of the land and buildings for the best consideration reasonably obtainable whilst also helping to deliver the objectives of the Council Plan.

### Contact Details

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	<b>Report Approved</b>	✓	<b>Date</b> 31 January 2013
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<b>Wards Affected:</b> List wards or tick box to indicate all		<b>All</b>	✓

**For further information please contact the author of the report**

### Annex

Annex 1 - Details of bidders and scoring matrix (Confidential)