

Options Appraisal

The options for the management of the smallholdings estate are as follows:

- i) **Disposal of the whole estate as a single investment opportunity.**
 - ii) **Disposal of the estate as individual lots, with sitting tenants.**
 - iii) **Disposal of the estate as holdings become vacant.**
 - iv) **Structured disposal of buildings and parcels of land and reallocation of land to retained holdings.**
- i) **A single investment opportunity**
- a) The estate is not an attractive investment opportunity consisting of 61 farms which are split up over much of the county, making management difficult, with few houses of high value and few barns for conversion where the opportunities have not already been taken to apply for planning permission.
 - b) There are 40 farms that are held under the Agricultural Holdings Act and these would be converted to succession tenancies (for 3 generations) if purchased by anyone other than a smallholding authority. Also there is a major maintenance programme required.
 - c) A likely discount for the whole estate would be in the region of between 40% and 50% of open market value.
- ii) **Individual lots with sitting tenants**
- a) Farms will be offered on the open market, with the existing tenancies, to individual purchasers and tenants. This will inevitably involve discounts for the various reasons given above and would lead to the fragmentation of the estate and leave the remainder of the estate more costly to run. (Shropshire is a good example where this approach was adopted and it has not been a success).
 - b). A discount would be in the region between 20% and 30% of open market value.
- iii) **On vacancy**
- a) Farms will be offered as soon as vacant possession can be obtained.
 - b) Younger tenants will leave the estate first as their Farm Business Tenancies expire.
 - c) There will be fragmentation of the estate but full market value will be obtained.
- iv) **Structured disposals and reallocation of land**
- a) This will allow for a continuous planned sale of farms, the restructuring of some farms whilst reducing the maintenance requirements and, where the land has long term other uses, development, mineral extraction etc.
 - b) It will allow the retention of some of the land as an increasingly valuable and scarce asset, a steady source of capital per annum and a source for larger capital sums when required by the Council for major projects.
 - c) Land could be made available for future Council development projects.

- d) Full value would be obtained, although the time scale for complete disposal would be considerable.

Indicative Valuations (based on Vacant Possession)

40 Average quality houses	@	£250,000 each	=	£10.0m
14 Semi detached	@	£250,000 each	=	£3.5m
4 Good quality houses	@	£500,000+	=	£2.0m
Land – 5,074 acres	@	£4,000 per acre	=	£20.3m
Woodland 164 acres	@	£2,700 per acre	=	£0.4m
		Total		<u>£36.2m</u>

A pragmatic Vacant Possession value of the estate is £36m.

By utilising the current policy of structured disposals and reallocation of land, which takes full advantage of selling opportunities and optimises the sale of the houses with the land etc., this value could potentially be increased by about 20% to approximately £43.2m.

Therefore based on the vacant possession value above and applying the appropriate discounts and enhancements, the various options are valued as shown below:

Option 1	£18–£21.6m
Option 2	£25.2–£28.8m
Option 3	£36m
Option 4	£43.2m (present policy)

Note: The policy for managing the estate and the planned disposal of property should be looked at in the knowledge that land prices have risen by about 20% since the last report in 2003.

During this time agriculture has been in recession. Grain prices have approximately doubled in the last year and are unlikely to fall in the foreseeable future due to increasing world wide demand for grain for food and for the new demand for bio fuels. The effect is likely to be a continued growth of land prices due to increase in returns, shortage of supply, demand for tax purposes and buyers from abroad where land is of no better quality but considerably higher value.