

9 November 2016

## FOREST ENTERPRISE LAND TRANSACTIONS

### Purpose

1. To update the Committee on land transactions involving the Public Forest Estate.

### Background

2. Since the suspension of the PFE Disposal programme in 2012 and subsequent Government commitment to keep the PFE 'In Trust for the Nation' there have been a small number of large scale, infrastructure, development or pre-2012 contracted land transaction schemes continuing to be developed in England. In addition the Crown Estate is now disposing of a significant proportion of the agricultural/forestry portfolio in England.
3. There are significant areas of PFE leased from the Crown Estate which are part of their disposal programme and discussions have been underway with the Crown for more than 10 years on asset exchanges. This paper will provide a short update on the transactions currently in progress.

### Land Transactions

#### Sawpit Copse – Whiteley Pastures

4. In January 2002 an Option Agreement was made with Bovis Homes to dispose of up to 10 ha of PFE woodland which is required to form the main access into the North Whiteley Development of 3500 new homes. The consideration to be paid for the woodland was to be calculated via a complex development appraisal formula. The rights in the Option expire in January 2017.
5. Negotiations have continued notwithstanding the formal requirements and supplement Heads of Terms have been agreed to provide the right for Bovis to take a transfer of the whole 10 ha for a consideration of £4.8m. This sum will be paid over two years with the first tranche being paid in January 2017 and the second 12 months later. Out of this figure the FC will pay its own legal and agents costs and construct a new access road into the remaining PFE woodland.
6. The FC will also have to consider the impact of the development on the remaining PFE area at Whiteley Pasture which is a SSSI woodland that will now be subject to a significant increase in recreational pressure and disturbance from the new housing. The costs of managing the PFE in this area will increase and have not been directly mitigated within the Green Infrastructure strategy for the development. The proceeds from the sale of Sawpit will need careful reinvestment to secure extra income to offset the increased costs attributed to development. This is a situation repeated not just here but on a number of other

significant residential development schemes adjacent to PFE across the country where existing woodland GI does not receive funding from S106 agreements to offset the increased impacts of adjacency to residential development.

### Crown Estate – Freehold Exchange and Leasehold Purchase

7. The Crown Estates are in the process of rationalising their rural land portfolio, including forestry interests, some of this is leased to the Secretary of State and forms part of the PFE. This has created an opportunity for Ministers to acquire the freehold interest, and conclude a further land exchange with the Crown, which will see an overall increase in the value and benefits provided by the PFE whilst having minimal impact on the total area of land managed by the Forestry Commission.
8. The acquisition of PFE land currently leased from the Crown will enable 1,392 ha of forest to be dedicated for public access under the Countryside and Rights of Way Act 2000 and formalise the access in perpetuity like almost all the existing freehold estate. It will also give greater control over recreation development and activities to enhance the natural capital as there will be no landlord to constrain such activities.
9. The transactions will require a £1.6m balancing cash payment to be made to the Crown financed by the sale of Sawpit Copse.
10. This complex deal not only offers positive benefits for all parties, but provides a good illustration of how carefully selected and planned acquisitions and disposals can be fully consistent with the Government's manifesto commitment to keep the public forests in trust for the nation. The benefits from the suite of transactions include:
  - A substantial increase in the area of woodland dedicated for public access on foot in perpetuity.
  - Enhanced capacity for FC to secure positive outcomes for future recreation development, commercial forestry management and improvement in natural capital.
  - Positive outcomes for protected landscapes – Exmoor National Park and the Blackdown Hills AONB. The National Park Authority in particular has been very keen to secure appropriate buyers for woodlands being sold by the Crown around Dunster.
  - A mutually beneficial rationalisation of CE/PFE land holdings for easier and more contiguous management. The freehold exchange part of the transaction will see forest land at Crowthorne, currently part of the PFE, being owned and managed by Crown Estate as an integral part of the adjoining Windsor Great Park estate which is already open to the public. A similar area of Crown Estate in-hand forestry land near Dunster will be becoming part of the freehold PFE and be managed by the Forestry Commission.

- Release of public land to facilitate the construction of 3,500 new homes, new schools and public infrastructure with receipts from the limited previously agreed disposal utilised to enhance the estate overall.

### Summary of the Crown Estate and Sawpit Copse Land Transactions

11. The transactions are a combined mix of freehold to freehold exchange (with value adjustment) and the conversion of leasehold to freehold and a separate small scale woodland sale to provide access to a housing development.

12. They can be summarised as:

- The acquisition of 183 ha of freehold woodland at Broadwood, part of the Crown's Dunster Estate near Minehead in Somerset and managed by them in hand, in exchange for 167 hectares of PFE woodland at Crowthorne in Berkshire which immediately adjoins the Crown's Swinley Forest, itself part of Windsor Estate.
- The acquisition of the freehold interest in 407 ha of currently leasehold PFE woodland on the Dunster Estate which immediately adjoins Broadwood and will re-establish this 590 ha contiguous block back into one freehold holding.
- The acquisition of the freehold interest in 708 ha of currently leasehold PFE woodland in Neroche Forest in the Blackdown Hills AONB.
- The acquisition of the freehold interest in 114 ha of currently leasehold PFE woodland at Chicksands in Bedfordshire.
- The surrender of 4 small blocks of isolated PFE leasehold woodlands extending to 11 ha which are dispersed on farms within Crown Estate holdings in the wider Neroche Forest area.
- The sale of 10 ha of freehold PFE woodland at Sawpit Copse, Whiteley in Hampshire to Bovis Homes.

### A11 Mitigation Thetford Forest.

13. This is a landscape scale environmental mitigation scheme following the A11 dualing through Thetford Forest in East FD.

14. Highways England (HE) are at the final stages of a Forestry EIA Determination which when concluded should authorise the partial felling and then surrender of 220 ha of PFE leasehold forestry land back to the FC Landlords in order to convert the land to Stone Curlew habitat. In compensation the FC would receive £4m of funding from HE to acquire mitigation PFE (freehold or leasehold) land.

15. Alongside this is a smaller scale (35 ha) transfer of HE freehold land into the PFE with funded conversion to heathland to provide additional mitigation land. If the Forestry EIA is confirmed the tree removal on the main block at Wangford Warren

will commence in winter 2016/17 and the first tranche of mitigation payment, £1.35m, made by HE prior to the end of the 16/17FY with the final payment being made in 17/18. These payments would provide an acquisition fund to secure replacement PFE ha's which may well include the acquisition of the final remaining Crown Estate leasehold area in England which is a major part of Thetford Forest.

16. The final outcome of the overall scheme should see over 250 ha of new heathland habitat in and around Thetford Forest and up to 220 ha of new PFE woodland in East FD.

#### Cinderford Northern Quarter

17. The land transactions to facilitate this £100m Regeneration Scheme promoted by the Homes and Communities Agency and the Forest of Dean District Council are still in detailed negotiation but nearing agreement. In this case the principle of a land exchange is already agreed. This will see a net increase in PFE of 14 ha following the disposal of 10 ha of restored colliery workings to the development consortium and 1 ha to the new road but with the transfer into the PFE of 25 ha of land adjoining the Crown Lands from the District Council.

18. Funding for a core part of the development a new Further Education College for Gloucestershire is now secure. The college is proposed to open in Sept 2018.

19. Gloucestershire County Council has commenced work on the construction of the new Spine Road to service the development.

20. The land transactions are likely to complete in Qu 2 or 3 2017. No consideration is being exchanged but there will be a series of clawback provisions in the transfers in favour of the SoS/FC.

#### **Resource implications**

21. The net impact of the cash flows involved over time in the various acquisitions and disposals will be positive, strengthening PFE reserves held against timber price volatility and enabling it to self-fund essential capital projects elsewhere on the estate

#### **Risk Assessment**

22. Risk issues –

- The Crown Estate land transaction has been included in Submission to the Minister in which reference to the Sawpit Copse Disposal is also made. The latter has also been reported to Defra via the ongoing Non-Forestry Development returns.
- Both the A11 and Cinderford have already been submitted and this paper is to confirm the likely timing of the transactions.

## **Communications**

23. These transactions are good news and in accordance with the Government commitment to keeping the public forests in trust for the nation.

24. It is important to recognise that opportunities to secure freeholds and additional woodland adjacent to the existing estate are infrequent and must be taken advantage of at the time they arise.

### Media handling:

25. Reactive. With the Crown Estate transaction we are not planning any proactive media and do not expect other parties involved in the deal(s) to do so either. The other cases are more mature and already have fully prepared handling arrangements.

26. Lines to take: With the Crown Estate transactions brief lines to take will be developed by Forest Enterprise England's Media Relations Manager, building on the positive issues outlined, and shared with Defra Communications.

27. The other transactions have media handling/communication plans.

## **Recommendations**

28. The Committee are invited to note the progress of the various land transactions, especially those involving the Crown Estate.

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