

CORPORATE AND COMMUNITIES OVERVIEW AND SCRUTINY PANEL

15 NOVEMBER 2016

UPDATE ON THE SMALLHOLDING STRATEGY AND THE PLACE PARTNERSHIP LIMITED RELATIONSHIP AND ACHIEVEMENTS

Summary

1. At its meeting on 28 September 2016, the Panel received an update on the Property Asset Strategy. Following this update, the Panel identified that it would like to consider the Smallholding Strategy and also how the County Council's relationship with the Place Partnership Limited (PPL) was developing.
2. Accordingly, the Cabinet Member with Responsibility for Transformation and Commissioning and the Director of Commercial and Change have been invited to the meeting to update the Panel on:
 - a) The Smallholding Strategy. It's history, whether there was any untapped potential in the holdings and ideas for future development; and
 - b) Place Partnership. How the relationship is working, with achievements to date.

Smallholding Strategy

Background

3. The County Farms Estate otherwise known as the Smallholdings Estate was predominantly purchased in the early 20th Century as part of a national policy to provide farming opportunities for new entrants, with the initiative predominantly taking off after the First World War, due to concerns over food security and a desire to provide a livelihood for returning soldiers. Some 10 years ago the Estate was 4255 acres, which included 247 acres of leased land, where the County Council was the tenant and then let the 247 acres on to farm tenants. Since then, the 247 acres of leased land has been surrendered and some 960 acres of the Estate sold, generally to long standing tenants.
4. Historically, the County Council has managed the Estate to generate income and to generate capital receipts through disposals when the opportunities arose, as well as through pursuing development opportunities.

Current position

5. The County's average smallholding size is 37 acres, comparing to the national average as at March 2015, of 83 acres. Gloucestershire County Council has an average of 64 acres and Warwickshire County Council's average is 101 acres. 71% of the County's holdings are less than 50 acres and with further increases in regulations and reduced opportunities to sell directly to the consumer the more challenging the viability of these smaller holdings become.
6. A fundamental principle of owning a Smallholdings Estate is to provide a tenant the opportunity to progress from a starter unit to larger units through a mix of starter units, medium and larger units. If the Council was to develop the Smallholding Estate it would need to undergo significant changes. These would include creating more flexibility into the Estate by seeking to reduce the 50% of the Estate still let under 1986 Act tenancies (which are predominantly lifetime tenancies), amalgamate more of the smaller sized smallholdings to increase business viability and increase management efficiency and invest to provide more fully equipped holdings i.e. a house, farm buildings and land. This would have to be resourced and planned over time.
7. As of today the County Council's Estate is approximately 3,048 acres (1,233 hectares) spread between 30 parishes within the County. This is an 8.7% reduction since June 2015 when the management goals of the smallholdings strategy was approved. There are 87 tenants occupying the Estate which ranges from bare land holdings of a couple of acres to fully equipped holdings.
8. The disposal strategy under the Better Use of Property programme includes disposals which maximise the approved management goals of the Smallholdings Estate and by the end of this strategy up to 2020 the Smallholdings Estate will be reduced by a further 6.1%.
9. The gross rental income of the current let Estate is about £287,829 with a capital value subject to the existing tenancies of approximately £34million. This gives a return on investment of about 0.85% which is lower when taking into account Landlord repairs and maintenance, staff management costs and insurance etc.
10. The Property Asset Strategy approved by Cabinet in March 2016 re-affirmed the 2015 revised set of management goals for the Smallholdings Estate and the basis of the current management and end of tenancy action plan. These management goals are as follows:
 - To manage the Estate to produce an ongoing revenue surplus either through direct rental income or by using alternative revenue streams from non-agricultural use.
 - To strategically improve the Estate by re-letting farms where appropriate, amalgamating farms to create more viable units and releasing surplus dwellings and buildings for sale.
 - To pursue the maximisation of the Estate's value by seeking opportunities for residential and commercial development through the local planning process.
 - To use the Estate to support the County Council's wider environmental and sustainability objectives by appropriate land management measures
 - To explore the options for a solar farm and opportunities for sand and gravel extraction on smallholdings land.

Review of the Smallholdings Estate by Place Partnership (PPL)

11. Since the adoption of the Property Asset Strategy, PPL which manages the Smallholdings Estate on behalf of the County Council have undertaken a comprehensive review of the entire Estate. Changing from the previous in house management of the Estate to an external advisor also provided the opportunity for new and innovative approaches to the management of the Estate. Therefore as part of the review, PPL have simultaneously analysed and reviewed the Strategy and management goals for the Smallholdings Estate to identify both the opportunities and the challenges facing the Estate and the impact on factors such as income generation, capital receipts, good and sound estate management and development potential.

Findings of the Review

12. A number of issues have been identified including:

- i. There are a number of tenancy/legal issues which need to be addressed such as breaches of the terms of a tenancy agreement, unauthorised uses and encroachment by third parties
- ii. The Estate has become increasingly fragmented in recent years with a number of houses and/or buildings being sold off reducing the number of fully equipped holdings and with disposals constraining the creation of larger, more viable holdings.
- iii. The previous management plan has been more reactive rather than planned in terms of maintaining the fabric of the Estate and there has been no significant capital investment in the Estate for at least 10 years which has had an impact upon the condition of some buildings and potentially the overall value of the holdings.
- iv. Taking action to address points i and iii above will improve the overall performance of the Estate as an investment asset.

13. The Review has identified a number of opportunities to reinforce the management goals including:

- Seek further residential and commercial development opportunities, including permitted development rights where appropriate. There are a number of buildings/sites which can be brought forward now utilising PPL's in-house planning expertise.
- Address the tenancy/legal issues with input from a specialist agricultural lawyer where necessary, which will generate income and/or further capital receipt opportunities.
- Further identification and disposal of isolated/fragmented blocks of bare land which are uneconomic to retain.
- Undertake a review of the condition of the Estate to help provide a more appropriately targeted maintenance spend.

14. The next stage will be for PPL to review the options and actions available to the Council and for these to be developed into recommendations to be made to the Cabinet Member with Responsibility for Transformation and Commissioning and the Director of Commercial and Change

Place Partnership Limited

15. PPL have been invited to attend the meeting to discuss how their relationship with the County Council has developed over the last year including achievements to date and to also present and contribute to the Smallholdings Strategy Discussion.

Purpose of the Meeting

16. The Corporate and Communities Overview and Scrutiny Panel is asked to:

- Consider the update received;
- Agree whether it would wish to make any comments to the Cabinet Member with Responsibility for Transformation and Commissioning; and
- Determine whether it would wish to carry out any further scrutiny.

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda and Minutes of the Corporate and Communities Overview and Scrutiny Panel of 28 September 2016

Agenda and Minutes of the Cabinet 3 March 2016 which are available on the Council's website at:

<http://www.worcestershire.gov.uk/cms/democratic-services/minutes-and-agendas.aspx>