

| <b>ISLE OF ANGLESEY COUNTY COUNCIL<br/>Scrutiny Report Template</b> |   |
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| <b>Committee:</b>   | Corporate Scrutiny Committee  |
| <b>Date:</b>  | 31 <sup>st</sup> January 2018   |
| <b>Subject:</b>   | Council Smallholding Improvement Programme  |
| <b>Purpose of Report:</b>   | Review following completion of Improvement Programme  |
| <b>Scrutiny Chair:</b>  | Cllr Aled Morris Jones  |
| <b>Portfolio Holder(s):</b>   | Cllr Bob Parry  |
| <b>Head of Service:</b>   | Mr Dewi R Williams  |
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### 1 - Recommendation/s

This information is for information/discussion.

### 2 – Connection to Corporate Plan / Other Corporate Priorities

2.1 This item relates to the Council's Corporate Plan by way of the priority to regenerate our communities and develop the local economy. By way of maintaining a rural estate of its own the Council can provide and protect an environment where rural businesses can be given an opportunity to establish, grow and flourish. The smallholdings estate contributes in reducing youth out-migration and increasing the working age population of the Island. The improved and streamlined rural estate has become self-sustainable and also generates a surplus revenue income that can fund statutory services at a period of financial pressure.

### 3 – Guiding Principles for Scrutiny

The following set of guiding principles will assist Members to scrutinise this subject matter:

- 3.1 **The customer/citizen** [looking at plans and proposals from the point of view of local people]
- 3.2 **Value** [looking at whether plans and proposals are economic, efficient & effective. Also, looking at the wider requirements of community benefits]
- 3.3 **Risk** [Look at plans & proposals from the point of view of resilience and service transformation. It is about the transition from a traditional service to a transformed one, and about the robustness of the transformed service once it is in place]
- 3.4 **Focus on the system (including organisational development)** [Ensuring that the Council & its partners have the systems in place to ensure that they can implement transformation smoothly, efficiently and without having a negative effect on service delivery]
- 3.5 **Focus on performance and quality** [Scrutiny undertaking a performance monitoring or quality assurance role, on an exception basis]
- 3.6 **Focus on Wellbeing** [Looking at plans and proposals from the perspective of the Wellbeing of Future Generations requirements]

### 4 - Key Scrutiny Questions

- 4.1 In light of the recent completion of the 5 year improvement programme, decide whether or not it is necessary to conduct a review of the Service Asset Management Plan 2010-2020.
- 4.2 Evaluate whether the aims of the policy are still relevant and effective.
- 4.3 Challenge the need to retain this type of property asset in light of the demands on budgets and the delivery of statutory services.

### 5 – Background /Context

#### Background

- 5.1 Consideration of the Council's rural estate was brought before the Scrutiny Committee two years ago in the wider context of a review of the property management processes. It was decided to allow the 5 year Improvement Scheme to come to an end before giving further consideration to the rural estate.

5.2 The Council currently manages two rural estates. The Council Smallholdings Estate and the David Hughes Charitable Estate. For the context of this report, consideration is only being given to the former due to the strict statutory regulations that govern the management of charitable estates. The Smallholdings Estate consists of a number of starter, intermediate and commercial equipped farms and a series of stand-alone bare lands.

5.3 Condition surveys conducted in 2009/10 on the equipped holdings recognized that the condition of many of the dwellings within the estate was very poor following a prolonged period of limited investment. An estimate £4m of backlog maintenance was identified. The risk of claims against the Authority for breaches in both our legal and statutory responsibilities had reached a critical level. The physical condition of the estate severely impacted on the ability to review and increase rents which in turn limited the budget available to maintain the status quo. Having reached a critical point, action was required to ensure the estate remained viable.

#### **Service Asset Management Plan**

5.4 Following the highlighting of these issues in an earlier officer/member Task and Finish panel, the Smallholding Improvement Programme was introduced in 2011/12 via the adoption of the Service Asset Management Plan 2010-2020 (SAMP) for the estate by the Executive Committee on 5th October 2010. The Improvement Programme was completely self-funded through the generation of capital through strategic disposals and the ring-fencing of rental income revenue.

5.5 The intention of the SAMP was to address the worsening condition of the estate and to provide a framework for optimization, the aim being to create a more sustainable future and to provide clear and attainable objectives. These objectives being:

5.5.1 Optimise the value of the properties and improve the quality of the assets through analysing condition, suitability and sufficiency and implementing a programme of improvement and investment where appropriate.

5.5.2 To ensure through the carrying out of risk assessments that the smallholdings assets do not present unacceptable risks to staff and occupiers and that they are fit for purpose.

5.5.3 To challenge the need for retaining the properties currently held, identify surplus and underperforming assets and recommend appropriate disposal plans in order to ensure that the portfolio is appropriately balanced.

5.5.4 To maximise the revenue income and generation of capital receipts from the sale of surplus property, optimise and prioritise the level of expenditure and investment to match the current and future needs of the Council and the agricultural industry of the Island.

- 5.5.5 To develop a strategic land base for the Council which will enable future development and investment opportunities to be realised, whilst ensuring that the Island retains the potential to contribute to future food growing requirements.
- 5.5.6 To encourage tenants to progress over a reasonable period of time to becoming occupiers of commercial holdings with significant agricultural productivity.
- 5.5.7 To develop a wider range of benefits that our holdings could provide including renewable energy, sustainable fuel sources, waste utilisation, local foods, access to the Countryside, for example for educational purposes for local schools etc.

### **The 5 year Improvement Plan**

- 5.6 Between 2011/12 and 2016/17 initially targeting the holdings in the worse physical condition as a priority a total of 62 holdings have been renovated, refurbished and improved for a total expenditure of £10m. Schemes were tendered utilising local contractors, sub-contractors and suppliers and contracts awarded in small localised lots based on location to provide economies of scale. Improvements have been made in terms of domestic sewerage disposal and treatment, heating systems, new energy efficient electrical fittings and installations along with the provision of roof and wall insulation.
- 5.7 The scheme expenditure has been balanced by self-funded income from within the Smallholding Estate through a number of disposals and rental income ring-fencing alone. Four vacant farms were disposed of in their entirety, a further four smaller farms were sold to their sitting tenants and numerous other disposals and part disposals of bare lands, residential building plots and derelict houses contributed to the total.
- 5.8 Concurrently throughout the Improvement Scheme a series of systematic actions were implemented in an attempt to improve agreement conditions for the direct benefit of both Tenants and the Landlord. By way of negotiated lease surrender and renewals, Tenants have been offered the opportunity to extend the lengths of their leases, providing increased security to make their own investments and given the option of bringing close family members onto the tenancy agreements for peace of mind and succession management. In contrast; the Landlord has been able to reduce some of its maintenance liability and increase rents. The adoption of a programme of farm specific rent reviews in place of the previously utilised generic percentage increases has meant that holdings have fairer rents that better reflect their location, standard of accommodation and market comparables.
- 5.9 At commencement of the Improvement Scheme the annual rent roll amounted to £415,000.00 per annum. Currently this figure stands at £535,000.00 per annum even after taking into account the revenue impact of having a more optimised and

streamlined estate. It is projected that a healthy rental value growth will occur year on year if the estate is maintained under current processes and practices. An annual budget has initially been set at £250,000.00 which will be used to continue to meet the Council's Landlord responsibilities for the estate.

- 5.10 Overall, I believe the Improvement Programme can be considered a success. A number of the SAMP objectives have been delivered and achieved. These are:
- The value of the estate has been significantly optimised. The condition of a large proportion of the estate has been improved.
  - The refurbishment of farm dwellings and outbuilding electrical services has greatly reduced the risks to occupiers and staff and should provide significantly reduced running costs for the tenants.
  - The programme has partly addressed the objective of identifying surplus and underperforming assets, but it is recognized that this is a longer term objective as and when holdings become available as tenancies come to an end.
  - Capital receipts have successfully been generated to cover the capital cost of the improvements works. Revenue income has also improved significantly over the term of the programme to a level where it is believed the estate has become self-sustainable and providing a healthy surplus.
  - The majority of the strategic land base has been retained.

#### **Local and National Comparisons**

- 5.11 Of the 22 Welsh local authorities 21 still retain some form of rural estate, the exception being Cardiff. The Isle of Anglesey is ranked second in terms of land area. In September 2014 the Welsh Government commissioned a report called Welsh County Farms: Way Forward Initiative which looked at the challenges that faced the national estate and made certain recommendations. The report highlighted Anglesey's policy as being positive and proactive in comparison to the minimalistic approach of other authorities.

- 5.12 There are a number of private rural estates on the Island, namely the Bodorgan Estate, Baron Hill and Plas Newydd Estates among the most significant. Rarely do farms within these estates become available for new entrants.

#### **Present Situation**

- 5.13 The Council Smallholding Estate is currently made up of 98 holdings in total.
- 79 of these are equipped (meaning they have residential accommodation and are serviced with agricultural sheds). These amount to 2,172 hectares (5,367.1 acres) the average size equipped holding being 67.9 acres.
  - The remaining 19 being bare land parcels. These amount to 234.8 hectares (580.2 acres) the average sized bare land parcel being 30.5 acres.
  - 51% of the total holdings are held on the more modern Agricultural Tenancy Act 1995 agreements or Farm Business Tenancies (FBT's), while the

remaining 49% are held on the stricter Agricultural Holdings Act 1986 tenancies (AHA's).

## The Challenges Ahead

### 5.14 Tenancy Agreements

Farm Business Tenancies came into effect on 1<sup>st</sup> September 1995. They are fixed term agreements on open market rents. Terms are fairly flexible as the parties have the freedom to agree maintenance responsibilities at commencement. Although these provide security of tenure to the Tenants these types of tenancies are much more conducive to good estate management. Agricultural Holdings Act tenancies are older and one could say tend to be more bias towards the Tenant. They are known as 'life-time tenancies' because there is no fixed term length. Rents are set through a statutory mechanism which limits the amount that can be charged. Repairing obligations are also statutory. The latter type of tenancy is in decline because new AHA agreements cannot be newly created and statutory succession rights do not apply to local authorities.

### 5.15 Age demographic

One of the statutory grounds to terminate AHA agreements is if the Tenant reaches the age of sixty-five (Case A). This ground is however qualified by the need to provide 'suitable alternative accommodation' to the Tenant upon retirement. There are numerous reasons why tenants do not retire; they are living longer and are staying healthier; they are reluctant from a life-style or financial point of view; and Landlords are unable to provide them with alternative accommodation which they consider to be 'suitable'. I am not aware of any example throughout the British Isles where a Landlord has been successful in terminating an AHA tenancy under this ground alone. The current age profile of the Council's Smallholding Estate looks like this:

- Age 40 and under 10%
- Aged 41 – 50 24%
- Aged 51 – 60 30%
- Aged 61 – 70 25%
- Aged 71 and above 11%

### 5.16 Availability of holdings and internal mobility

This is not only a local issue, but a national one. There are considered to be several factors that contribute to the limited opportunities for progression to both internal mobility and the availability of holdings for new entrants moving into local authority farms and into those in the private sector. Among these are considered to be

- The unwillingness of existing farmers to retire;
- The contraction of the private rented sector and the prevalence of owner-occupation in Wales compared to England. It has been noted by the

Tenant Farmers Association that it has become almost impossible for public sector tenants to move to the private sector, due to the lack of security offered by the short-term tenancies available in the private sector compared to longer-term tenancies available from local authorities;

- There is a prevalence of intra-family succession on the local authority farms estate in Wales;
- In Anglesey, we are aware that a number of Tenants have purchased additional land on their boundaries or nearby. Their Council farms are used as hubs meaning there is little or no desire to progress from their starter or intermediate holdings when more commercial ones become available.

#### 5.17 Structure and balance

The 2010-2020 SAMP identified the need to optimise the size of farms and to provide a better balance of starter holdings, and intermediates through to commercial holdings. This would address the desired objective of encouraging tenants to progress to larger commercial units over a period of time and thereby providing greater opportunities to new entrants. Back in 2010 the portfolio had too many holdings of under 30 acres, an oversupply of intermediate units and an insufficient number of larger commercial sized units. It was projected that the number of commercially sized units could be increased through the amalgamation of associated land once starter and intermediate holdings became available for disposal. To some extents the 5 year improvement programme partly addressed this objective and generated capital income for reinvestment. However, this is a long term strategy and it is believed that to achieve the desired optimization will take a further 20 years. This will require a commitment by the Authority to continue to allow the strategic disposal of selected dwellings and the amalgamation of land to create a greater number of commercially sized units. In contrast, the privately owned Bodorgan Estate has three times the land area of the Council estate, but only a third of the total number of holdings.

#### 5.18 Ongoing maintenance and enforcement of tenancy agreements

To ensure the condition of the estate does not once again fall into such disrepair and that a healthy surplus revenue income is maintained, it is important to ensure the principles of good estate management are adhered to. A commitment to a strong strategic plan is essential and the delegated decision making power is maintained by professionally qualified officers or consultants in conjunction with portfolio members. The self-sustainment of the estate is conditional on the provision of an adequate annual budget that will meet the retained maintenance liabilities. It is also of equal importance to continue to strictly enforce tenancy breaches, ensuring Tenants adhere to their obligations; to continue to maximise revenue income through regular rent reviews and to continue to encourage migration from AHA tenancies to more flexible FBT agreements.

#### 5.19 Summary

- The physical condition of the retained rural estate has significantly improved following the investment made following the 5-year plan.

- Less than 10% of the overall estate has been sold generating a budget of £10m for reinvestment during a period of service cuts and financial pressures.
- Future challenges for the rural estate include:
  - The transition of tenancy agreements from the old to the new;
  - The aging demographic trend of tenants;
  - The availability of holdings for internal mobility and new lettings;
  - The continuing need to restructure the estate;
  - Ongoing proactive estate management.

5.20 The current policy; including the present delegated decision making process currently gives the flexibility required to deal with the above challenges in line with the Service Asset Management Plan.

#### **6 – Equality Impact Assessment**

This information is for information/discussion.

#### **7 – Financial Implications**

This information is for information/discussion.

#### **8 – Appendices:**

None

#### **9 - Background papers (please contact the author of the Report for any further information):**

- 9.1 Service Asset Management Plan Council Smallholdings 2010-2020
- 9.2 Welsh Government's Report – Welsh County Farms: Way Forward Initiative – Appendix A: Summary of Councils' Current Policies & Management Practices



**ISLE OF ANGLESEY COUNTY  
COUNCIL  
SMALLHOLDINGS ESTATE**

**SERVICE  
ASSET MANAGEMENT PLAN**

**2010 - 2020**



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## **1. Introduction and Context**

### **1.1 Introduction**

The Isle of Anglesey County Council smallholdings estate has been established for almost 100 years. The County Farm Estate was developed by the National Government after the First World War as an opportunity to provide employment and a decent standard of living from the land for ex-servicemen. The estate provides employment opportunities as well as playing a vital part in supporting rural communities on the Island. The estate also plays an important role in environmental management and public access, both of which are promoted by the Council.

The County Council has been considering the future of the estate following a number of reorganization plans. A plan was prepared by the former Anglesey County Council in 1971 and a review was undertaken in 1981 by the former Gwynedd County Council. The 1981 review was not submitted to the Welsh Office for formal adoption at that time, and subsequently the 1971 plan was reviewed again and a new plan prepared for the estate in 2003 following the establishment of a Smallholdings Policy Panel.

In 2003 the estate extended to some 2595 hectares (6,411 acres) and consisted of 123 holdings. In 2010 the estate consists of some 94 holdings with an overall area of some 2566 hectares (6399 acres).

The production of this Service Asset Management Plan (SAMP) for the Council's Smallholding Estate follows appropriate consultation with the Task and Finish Member's Panel convened by the Leader in 2010 to review all aspects of management of the Smallholdings Estate, as well as relevant farming Unions and representatives of the tenants. Direction for the SAMP has also been provided by the Welsh Assembly Government Rural Development Sub-Committee: Inquiry into Local Authority Farms which was undertaken during 2010. This SAMP is seen as crucial for achieving a strategic focus on the management of the portfolio for the future and is linked to the aims and objectives of the Council. It provides the basis against which the portfolio related decisions are to be made.

This SAMP is also the framework to ensure that properties are safe and suitable for purpose, the uses of the estate assets are optimized to meet the required aims, and costs are minimized and are sustainable for the future.

The SAMP has been prepared broadly following the guidelines in "A Guidance to Asset Management Planning in Wales" published by WLGA (Welsh Local

Government Association) and CLAW (Consortium Local Authorities Wales) published in September 2001.

This SAMP, which has a ten year projection, has been reviewed and agreed by the Executive and will be periodically reviewed and updated in order to reflect any changes in internal or external requirements as and when they occur.

## **1.2 The Isle of Anglesey County Council**

The Isle of Anglesey County Council came into existence in April 1996 following Local Government re-organisation and is responsible for providing all local government services for the island of Anglesey. The County Council serves approximately 67,000 people and employs in the region of 3000 staff and is the second smallest authority in Wales.

The island is situated in North West Wales, is the largest of the Welsh islands and covers an area of some 720 km<sup>2</sup> with a coastline of some 210 km. The island has transport links with the mainland via road and rail bridges across the Menai Straits and the ferry port at Holyhead provides links with the Republic of Ireland with approximately 2.5 million people traveling via ferry each year.

The island's population is decreasing at the present time with the age profile of the population changing towards an older population base. The island's environment is of great value and in particular boasts 22,000 hectares of Area of Outstanding Natural Beauty, 60 sites of Special Scientific Interest, 4 National Nature Reserves, 4 Local Nature Reserves, 3 Special Protection Areas and 8 Candidate Special Areas of Conservation.

The economy of the island is based largely around agriculture, public sector organisations and a small number of key industries, including RAF Valley and Wylfa Power Station. Anglesey currently has some of the highest levels of unemployment and deprivation in Wales. Locally generated income (as measured by gross value added (GVA) per head) is barely half (54%) of the UK average.

The island faces significant economic challenges in the near future. The planned decommissioning of the Wylfa Nuclear Power Station in 2010 and the effect of closure in 2009 of the plant operated by Anglesey Aluminium Metal Ltd (AAML) will have a profoundly adverse and potentially long-lasting impact on the economy of Anglesey.

### **1.3 Corporate Planning Framework and Corporate Goals and Objectives**

The Isle of Anglesey County Council is committed to improving the quality of life for the people of the Island by providing services of the best possible quality; strengthening the Island's economy; working in partnership with other public bodies, voluntary organizations and the private sector; protecting the unique physical cultural and linguistic heritage of the Island.

The Council considers the staff to be its most important resource and is committed to providing them with the training and development opportunities that will allow them to perform to their full potential and thus contribute effectively to the achievement of the Council's objectives.

In 2010 the Isle of Anglesey County Council adopted its new strategic aim and five top priorities as the building blocks for recovery.

The County Council's new strategic aim is to 'promote and protect the interest of the Island - locally, regionally and nationally.'

In doing so, the Authority will work towards achieving five strategic priorities, namely:

**Strategic Priority 1:**

Enhance the reputation of the Council and Island

**Strategic Priority 2:**

Protect and develop the Island's economy

**Strategic Priority 3:**

Build and support sustainable communities

**Strategic Priority 4:**

Promote healthy, safe and fair communities

**Strategic Priority 5:**

Businesslike and affordable services

In the foreseeable future a number of key external drivers will impact on the corporate planning framework, resulting in a further review. Greater emphasis on regional cross boundary working and the responses of National, Regional and Local Government to the financial situation facing the country will need to be considered in relation to future plans for the Smallholding Estate.

## **1.4 Organisational Framework**

There are 40 elected members on the Isle of Anglesey County Council representing the electoral wards. The members form the Council's policies through various committees and sub-committees. The chairman and vice-chairman of the various committees and sub-committees work closely with the directors and senior officers of departments to ensure that policies and decisions made by the Council follow proper consideration of professional advice.

The Council's Constitution provides an important means of enabling councillors, officers, citizens and stakeholders to understand how the Council makes decisions and who is responsible for those decisions. The constitution is at the heart of the local authority's business. It allocates power and responsibility within the local authority, and between it and others.

The Council has appointed an Executive Committee which is made up of the Leader and nine councillors who have been given the responsibility to make decisions that are in line with the Council's overall policies and budgets.

The Council operates through five departments, each having the responsibility for delivering specific services in support of the strategic aims and policies of the Council.

Each Service has developed a Business Plan to ensure the functions and services provided full-fill the Council's overall aim and strategic priorities.

Property Services draft Business Plan for 2010 – 2013 includes the following actions in relation to smallholdings:

| <b>Council's Strategic Objective</b> | <b>Action from Property Services Business Plan to Support Smallholdings</b>   |
|--------------------------------------|---|
| <b>1.1</b>                           | Arrange regular meetings with tenants of Smallholdings  |
| <b>1.1</b>                           | Continue to arrange annual meetings with tenants representatives and farming unions in respect of smallholdings     |
| <b>1.1</b>                           | Promote sites for wind farms where opportunities arise and encourage the use of alternative energy on smallholdings |
| <b>2.5</b>                           | Encourage smallholding tenants to diversify into alternative business areas to support local business growth        |

|                    |   |
|--------------------|---|
| <b>3.3</b>         | The agricultural community is a significant component of the Welsh speaking community and by maintaining the smallholding estate we help to protect and promote the Welsh language culture and heritage |
| <b>3.3 and 3.5</b> | Encourage farm tenants to enter rural stewardship schemes to protect hedges, trees and natural features   |
| <b>3.3</b>         | Wherever possible, repair and maintain the traditional farmhouses and outbuildings forming part of the smallholdings estate to preserve the architectural heritage of the island.                       |
| <b>3.4</b>         | Encourage the take up of smallholdings by local people  |
| <b>5.5</b>         | Ensure that all smallholdings are let in accordance with current legislation and in accordance with RICS standards  |
| <b>5.5</b>         | We will bring smallholding houses to a suitable state of repair in accordance with a revised smallholdings plan   |
|                    |   |

## **2. Objectives for Asset Management Planning for the Estate**

### **2.1 Aims for Service Asset Management Plan**

The aim of this SAMP is to optimise the smallholding estate portfolio to provide suitable and sufficient holdings to create opportunities for young farmers to startup within the agricultural industry on the island, and to progress in time to becoming managers of fully commercial farming units, whilst ensuring a sustainable financial return for the Council.

### **2.3 Objectives for Asset Management Planning for the Estate**

1. Optimise the value of the property and improve the quality of the assets through analysing condition, suitability and sufficiency and implementing a programme of improvement and investment where appropriate.
2. To ensure through the carrying out of risk assessments that the smallholdings assets do not present unacceptable risks to staff and occupiers and that they are fit for purpose.
3. To challenge the need for retaining the property currently held, identify surplus and underperforming assets and recommend appropriate disposal plans in order to ensure that the portfolio is appropriately balanced.
4. To maximise the revenue income and generation of capital receipts from the sale of surplus property, optimise and prioritise the level of expenditure and investment to match the current and future needs of the Council and the agricultural industry of the Island.
5. To develop a strategic land base for the Council which will enable future development and investment opportunities to be realized, whilst ensuring that the island retains the potential to contribute to future food growing requirements.
6. To encourage tenants to progress over a reasonable period of time to becoming occupiers of commercial holdings with significant agricultural productivity.
7. To develop a wider range of benefits that our holdings could provide including renewable energy, sustainable fuel sources, waste utilization, local foods, access to the Countryside, for example for educational purposes for local schools etc.

### **2.4 Headline Performance Measures**

The Council considers performance measurement as important in order to ensure that continual improvements are achieved and are currently considering specific local performance indicators relating to property holdings and condition.

The Council has been collecting data to contribute to all areas of the Consortium of Local Authorities in Wales (CLAW) performance indicators in the past and continues

to do so. The authority also collects and provides data to the Local Government Data Unit for the Welsh Assembly Government Core Asset Management (CAM) performance indicators for Wales. Currently information collected for the CAM indicators excludes agricultural buildings and farmland.

In considering performance criteria for the portfolio the Council are concerned to ensure the following areas are reviewed and monitored:-

- **Health and safety requirements**
- **Running costs**
- **Building conditions**

This Plan proposes that as a local indicator the Council should adopt similar information in relation to smallholdings to the current Welsh Assembly Government CAM performance indicators.

Costs of running the estate will be monitored through budget monitoring processes.

Health and safety monitoring will be carried out by recording and monitoring incidents and improvement notices.

## **2.5 Support for Asset Management Process**

An Asset Management Delivery Team has been established within the Property Services Unit to progress specific issues relating to the production and management of data to support the Council's AMP and this team is able to assist the development of the SAMP for the Smallholdings Estate. This team has representatives from the Maintenance, Architectural Services and Estates teams and staff from these teams have the opportunity to input suggestions.

During 2009/10 the Asset Management Team arranged updated condition survey reports in relation to the holdings on the estate. Information from these reports has been used to inform and guide this SAMP.

## **2.6 Statutory Responsibilities**

Regional and national Government policies and legislation affect the way in which the Council manages the portfolio. The following issues in particular have a significant effect on the management of the property assets:-

Health and Safety at Work Act, including the management of asbestos, legionella, and electrical testing

Disability Discrimination Act

Fire Precautions Work Place Regulations

Reduction in carbon emissions from buildings

Waste management and minimisation

Landlord's obligations to tenants

Landlords repair and maintenance responsibilities

An issue of particular concern in recent years has been the condition of occupied properties. Tenant expectations and Landlord's obligations in the modern world require regular investment in the upkeep and improvement of properties to meet modern living standards. Minimum standards for habitation need to be assured in any property which is let for occupation. The results of the recent condition surveys indicate that in a number of instances the condition of the estate may not currently meet these requirements and the Council is keen to take appropriate corrective action.

## **2.7 The Resource Context**

The current resource available to the estate for upkeep and improvement of properties is the rental income. In 2009 the Council "ring-fenced" this rental income to be available for repairs, maintenance and improvements to the estate. Capital funding for the estate is dependent upon sales of property and the receipts from such sales are also ring-fenced for use within the estate. This SAMP considers options for increasing available capital funding, through the sale of properties, for the purposes of improving and maintaining the remaining estate.

The plan will ensure:

- That officers are able to continue to work towards a medium term strategy of securing improvement in the condition of properties where necessary;
- That revenue costs are limited in line with the revenue income, affordability and the requirements of the Council;
- That projects are manageable within staff and external resources;
- That the Council has regard to sustainability, energy efficiency and health and safety requirements.

Potential Available funds over the next 5 years have been assessed on the basis of current knowledge of the estate and in anticipation that certain properties will become vacant and would be considered for sale during the period.

| <b>Potential Income over 5 years</b> |                      |
|--------------------------------------|----------------------|
| Rent (at average £450,000 p.a.)      | £2,250,000.00        |
| Sale of Smallholding                 | £ 180,000.00         |
| Sale of Smallholding                 | £ 200,000.00         |
| Sale of Smallholding                 | £ 130,000.00         |
| Sale of Smallholding                 | £ 200,000.00         |
| Sale of Whole Farm                   | £1,000,000.00        |
| Sale of Bare Land                    | £ 350,000.00         |
| Sale of Building Plot                | £ 75,000.00          |
| Sale of Smallholding                 | £ 180,000.00         |
| Sale of Smallholding                 | £ 190,000.00         |
| <b>Total</b>                         | <b>£4,755,000.00</b> |

In the event that sales as currently envisaged are not possible, and as a consequence there is a need to gain funding in a shorter period, then as a last resort the Council may need to consider options to serve notice to gain possession of certain smaller holdings. In addition the Council has taken a decision to retain ownership of certain holdings which are considered to be strategically located and with a view to development potential at a future time.

Following a recommendation from the Task and Finish Panel the Council decided in 2010 that authority be given to the Head of Service (Property) in agreement with the Portfolio Holder (Property and Smallholdings) to consider the future of each holding as it becomes vacant and to determine whether to sell the house with an appropriate amount of land or whether to retain it within the estate.

In reviewing holdings for possible sale the Council is mindful of the need to retain land wherever possible. In instances where a holding becomes vacant and is considered for a potential sale, the Council will endeavour to retain land by amalgamation with adjoining holdings where possible. In a few instances where the Council has smallholdings which are not located in proximity to other nearby holdings in the Council's ownership consideration will be given to sale of the holding as a complete unit, including land. Factors affecting any decisions to sell property will include the value of required maintenance and improvements, potential rental income levels, location of the holding, how the holding may contribute to the objectives for the smallholding estate and the required future farm structure, current demand for holdings in the location and market trends or forces in relation to sales. The development of this SAMP represents an important element in the above decision process.

### **3. Existing Portfolio, Current Performance and Gap Analysis**

#### **3.1 Statement of Portfolio**

A summary of factors relating to the performance of the portfolio from the recent condition surveys is included below. This schedule includes information on outstanding maintenance requirements and budgetary requirements at 2010 prices. The condition surveys have identified work required to maintain assets in serviceable condition over a period of the next five years. The surveys do not take account of improvements required, for example additional farm buildings to suit the size of holding.

The condition surveys completed and priced to date indicate the following headline results:

20 No. Condition Red estimated cost £1,463,193  
34 No. Condition Amber estimated cost £1,834,319  
32 No. Condition Green estimated £767,513

These condition ratings do not relate to a specific item or installation that may or may not be in the house as invariably a dwelling that gets a Green rating might have a specific item that is considered poor which requires replacing and equally the same could be said for a Red rating house that may have certain items that are satisfactory.

Separate condition ratings have not yet been given for the outbuildings however work is ongoing to separate the costs relating to the houses from those relating to the outbuildings.

#### **3.2 Project Prioritisation**

In order to ensure all proposed projects in the future can be adequately planned for, all options are to be considered and funding arranged at an early stage. The Council needs to adopt a Protocol which will allow prioritisation of requirements of the estate, identification of available funding and appropriate timescales for implementation. Considerations of health and safety must take priority within these requirements and only after all identified issues are attended to can other factors begin to compete for priority funding.

#### **3.3 Gap Analysis**

Although further work is required to establish a working framework for the identification of priorities and gaps in provision, it is already clear that funding for the maintenance backlog is a major issue for the Council. Following condition surveys of smallholding houses carried out in 2005 the Council identified required maintenance in excess of £4M. During the past 5 years some £1.8M has been spent on improvements to holdings, largely as a consequence of sales of houses. Based on the recent updated surveys required maintenance to retain the present assets, including outbuildings, in suitable condition for the next five years amounts to some £4.1M at 2010 prices. This cost excludes improvements to external areas and the provision of new sheds, for example when a holding is increased in size with land amalgamated from a nearby farm.

Whilst the Council's decision in relation to ringfencing of rental income is of significant benefit to the funding of required maintenance within the estate, the current programme of expenditure on maintenance based on rental income levels alone would require a period of over 8 years to address all issues identified in the surveys. As the surveys only identified requirements for a 5 year period it is evident that the current programme is not sustainable without consideration of the sale of certain properties.

#### 3.4 **Building Maintenance Policy**

The Council needs to develop a range of building maintenance policies applicable to various categories of buildings and assets.

In relation to the smallholdings estate the key objectives of this proposed policy are:

- To establish an effective maintenance strategy for the estate in order to ensure the efficient and effective use of maintenance funding.
- To develop a formal process of agreeing expenditure in relation to building maintenance.
- To ensure that building assets are adequately maintained and are fit for purpose.
- To ensure that assets are maintained in line with regulatory, statutory and legislative compliance.
- To ensure that Health & Safety and security requirements are met.
- To ensure that all the relevant information on monitoring, maintenance, condition, suitability/sufficiency and performance of buildings is available to facilitate decision making.
- To ensure that building assets are maintained and developed in a sustainable manner.

## **4 Options Appraisal**

### **4.1 Strategic Options**

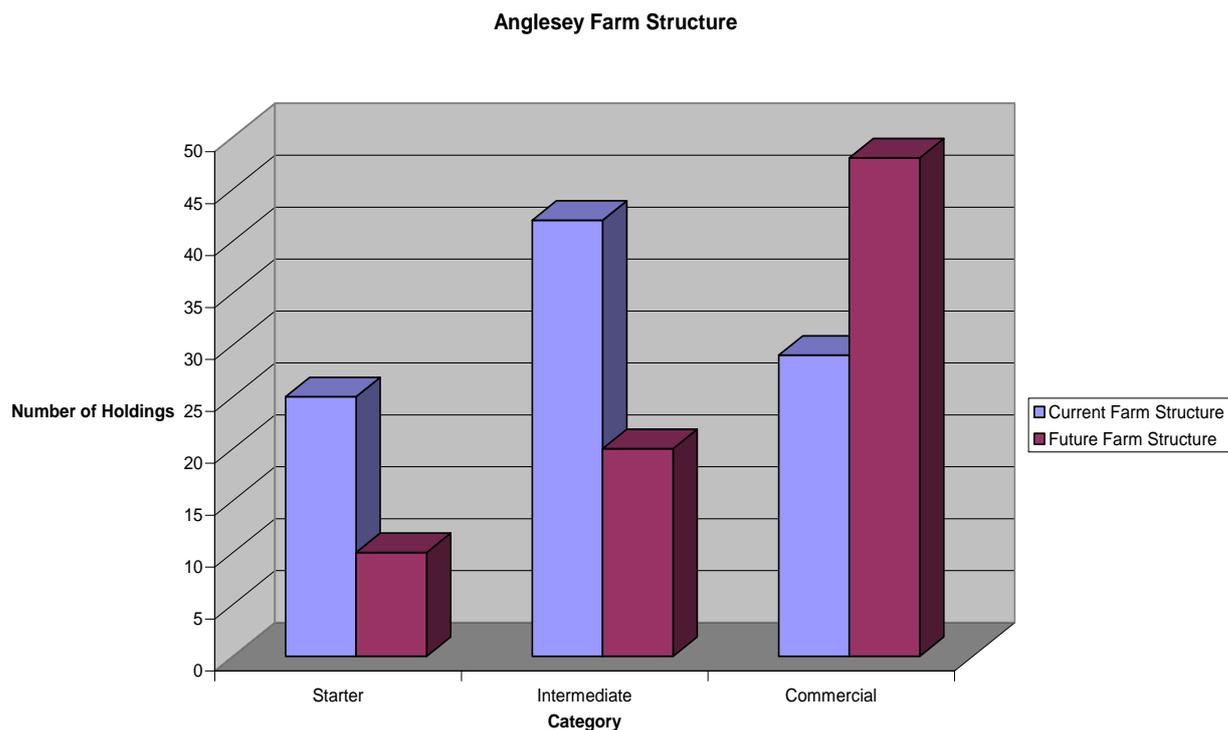
In terms of property asset management, the long term vision is for a property portfolio of optimum size and with an appropriate balance of sizes of farms, comprised of assets which are fit for purpose, in a safe and satisfactory condition and which provide a safe environment for those who use them in order to provide a sustained income for the estate. This SAMP provides an initial step toward this vision but the target will only be achieved in the long term.

To achieve the desired objective of encouraging tenants to progress to larger commercial units over a period of time, the estate needs to be structured to provide an appropriate number of farms of various sizes. The Council considers that tenant progression from a starter unit, through an intermediate unit to a fully commercial unit over an appropriate period of time is desired to ensure that the estate is functioning to fulfill the desired aims. For the purposes of this progression the Council has reviewed starter units, being units of up to 40 acres, intermediate units of between 40– 80 acres and commercial units of over 80 acres.

A review has been undertaken of properties which are likely to become vacant within the next 5-10 years and those which may be considered for potential sale of houses, with amalgamation of lands to better configure the estate for future needs. The review has also identified a number of key strategic holdings which the Council considers should be retained for future alternative development potential.

In order to provide sufficient units of appropriate sizes to allow the desired progression to take place it is considered that the structure of the estate needs to change, as illustrated in the following table. This structure will take some time to achieve possibly in the region of 20 – 25 years.

The Council will need to monitor progress in making improvements to the estate holdings against this service asset management plan. If the current proposals for re-structuring the estate are found to be not effective for any reason the Council may, as a reserve option, review the sale of the smaller units to the existing tenants at market value as a means of accelerating the process of rationalising the estate."



The sale of a number of units, together with the associated amalgamation of lands with nearby holdings to create a greater number of commercial units, is required if the future structure of the estate is to be achieved.

#### **4.2 Five year programme of works to smallholdings**

It is evident from the information shown in section 3 that over 20% of houses within the estate are in need of urgent attention to maintain condition and the cost of repairs to these houses is some £1.4M. These properties must be given first priority for available funds to carry out improvements and repairs. With the current level of expected funding available from rental income and sales of property this element of the programme alone will take two years to complete. Properties with condition ratings indicating poor condition should be the next priority and at current levels of expenditure the programme to complete these properties is likely to take a further two years. The aim of the programme of repairs therefore should be to ensure that all properties within the estate are in a satisfactory or good condition within the next 5 years.

In addition to works necessary to improve the condition of buildings consideration must also be given to a programme of regular inspections of apparatus and fixed equipment, installation of fire alarms, provision of suitable and sufficient farm buildings in relation to the size of unit and to external works, such as septic tanks and slurry pits.

**APPENDIX A - Welsh County Farms: Way Forward Initiative**  
**Summary of Councils' Current Policies & Management Practices**

Version: September 2014

| Council         | Size acres | Management Plan  | Last Update   | Current Policy  | Possibility of Change  | Staff Complement and Management Arrangements   |
|-----------------|------------|--|---|---|--|--|
| Blaenau Gwent   | 487        | None.  | 11.4.13 and 28.5.14   | The council's small estate is no longer held or managed for statutory smallholdings purposes. Its land is currently let on a variety of short term arrangements, mainly for horse grazing purposes as land is poor quality. To dispose of land to generate cap receipts Trespass& vandalism renders farming in this locality unattractive.  | Likely that residue of estate will be disposed of over time.   | None dedicated to the mgt of this resource. Managed in house by Estates Dept.                                |
| Bridgend        | 140        | None.  | Not known   | Estate comprises 13 small short term lettings only. No longer managed for statutory smallholdings purposes.   | Likely that residue of estate will be disposed of over time.   | None dedicated to the mgt of this resource. Managed in house by general practice valuer.                     |
| Caerphilly      | 244        | None.  | Not known   | One no 100 acre holding let on AHA. Remainder comprises 100 acre Open Farm managed for educational purposes, plus handful of grazing licences held for conservation purposes.   | Links with corporate plan to retain but under scrutiny & encouraging green initiatives.  | None dedicated to the mgt of this resource. Managed in house by general practice valuer.                     |
| Carmarthenshire | 3,475      | Formal plan& policy following 2006 review. Reconsidered by Scrutiny Committee 2010 | 2006. Updated report prepared in 2013, but not formally considered. | To retain and continue current mgt practices, but keep under review development/disposal opportunities as they arise. Future of each holding & opportunities for estate amalgamation, disposal or reletting is considered in advance of tenancy expiry. Pursuing green energy production initiatives; e.g. Solar power, & wind turbines to increase returns from estate. Estate comprises 27 equipped holdings. Currently secures a £92,000 annual operational surplus. | Future continually under pressure due to financial constraints. 2013 Review drafted, but not yet formally considered by Members. | 0.5 FTE Estates officer manages estate, with rent collection via Finance& maintenance via Tech Service dept. |

| Council      | Size acres | Management Plan                     | Last Update                       | Current Policy  | Possibility of Change   | Staff Complement and Management Arrangements  |
|--------------|------------|-------------------------------------|-----------------------------------|---|---|---|
| Ceredigion   | 692        | Currently working to 2002 Review.   | 2002                              | Links to council's Corporate Plan and 2014 Corporate Asset Management plan.<br>Generally supportive of continuation of current plan to let holdings on @ 10 year Farm Business Tenancies when current lifetime tenancies terminate<br>Management approach is essentially reactive.<br>Concerns re lack of historic investment and poor condition of buildings infrastructure.<br>Interested in pursuing green energy initiatives, e.g. wind turbines. | Scrutiny review in 2011, but no current plans to revisit.                 | Currently managed in house by 0,05 FTE G.P surveyor , plus Maintenance Team support, with some specialisms outsourced, e.g. rent reviews. |
| Conwy        | 912        | No, but intend to prepare one.      | N/A                               | Only small estate, but current plan is to retain and re let holdings as they fall vacant.<br>Propose to adopt a more proactive management approach.   | No; not at present.   | One no part time valuer manages, with specialisms, e.g. rent reviews, outsourced.   |
| Denbighshire | 2,461      | Current 2010 plan coming to an end. | Ongoing scrutiny of future plans. | Policy of targeted rationalisation of holdings with judicious disposals, including possible sales to sitting tenants but accept this will be a long process.<br>Desire for estate to be sustainable.<br>Some energy initiatives being pursued by tenants.<br>Concerned re lack of progression opportunities.  | Continually under critical review, with uncertain future.                 | One no Land Agent who also has other duties<br>Building Surveyor plus assistant.  |
| Flintshire   | 2,267      | Strategic Review.                   | 2011                              | Recent policy decision to dispose of estate, but methodology to be determined. Anticipate substantial inroads over next 5 years.<br>General policy not to retain a landlord role for its property estate generally, but will keep strategic sites with development potential until these can be realised.<br>Decision fuelled by high cost of complying with N.V.Z Regulations.   | Very recent decision to dispose of estate.                                | Part time land agent engaged on consultancy basis.<br>Use property consultants for strategic work.  |
| Gwynedd      | 2,905      | No current Management Plan.         | 2011                              | Informal policy of estate retention as enshrined in 2110 Corporate Asset Management Plan.<br>Operate on a break even trading account basis.<br>Very dispersed estate with limited scope for rationalisation.<br>Essentially reactive low input approach to management<br>Recognise importance of estate to rural economy.   | Review of Asset Mgt Plan in 2014, but not sure if it will include Estate. | @ 0.05 FTE General Practice surveyor.<br>Possibly interested in critical friend support on call out basis.                                |

| Council           | Size acres | Management Plan  | Last Update       | Current Policy   | Possibility of Change   | Staff Complement and Management Arrangements  |
|-------------------|------------|--|-------------------|--|---|---|
| Isle of Anglesey  | 6,232      | Operating under 10 year management Plan.                                 | 2010              | Proactive, positive management approach<br>Also manage 1,100 acre David Hughes Endowment Estate as integral part of County Farms.<br>Policy of significant capital investment over plan period to achieve financial self-sustainability.<br>Positive approach to rationalisation to create more commercially viable units with matrix of holding sizes and tenancy durations to facilitate upward mobility.  | Likely to continue with current 10 year management plan.                                | Principal Valuer responsible for management of both commercial and County Farms Estate, plus full time senior surveyor, part time consultant and student support. |
| Merthyr Tydfil    | 409        | No dedicated plan for estate. Managed as part of Rural Development Plan. | No specific plan. | Land held primarily on grazing licences with some land on former coal mining sites.<br>Pursuing community lead initiatives to promote rural development schemes.<br>Will exploit development potential when this can best be realised.<br>Exploring renewable energy production potential on certain areas of land<br>Retain a 27 acre Community Farm under direct council management<br>May explore judicious expansion of estate where appropriate to meet council objectives. | Currently refreshing Rural Development Plan, of which estate forms an integral element. | No dedicated land agency management. May be prepared to consider Service Level Agreement with lead Council to manage.   |
| Monmouthshire     | 2,702      | Clear policies, but no discrete Plan.                                    | 2013              | Estate split into Core and Non-Core holdings. Currently looking to dispose of Non-Core units and exploit development potential where it exists, but no sitting tenant sales at discount.   | Appear likely to continue to explore and implement strategy of disinvestment.           | Engage agency land agent part time, but no management costs set against Estate Trading Account. Rent reviews etc. outsourced.                                     |
| Neath Port Talbot | 294        | None.  | N/A               | Couple of bare land AHA lettings, plus @ 20 short term grazing licences only. Not effectively managed for statutory smallholdings purposes.  | No defined plans.   | Managed in house by general practice surveyor.  |
| Newport           | 725        | Not known.   | Not known         | No response to inquiries.  | N/A   | N/A   |

| Council            | Size acres | Management Plan                             | Last Update                    | Current Policy  | Possibility of Change   | Staff Complement and Management Arrangements   |
|--------------------|------------|---|--------------------------------|---|---|--|
| Pembrokeshire      | 4,525      | Overview and Scrutiny focus.                | 2011                           | 48 holdings.<br>Proactive management & rationalisation to maximise income, reduce need for capital investment and deliver capital receipts, improve commercial viability of holdings and estate., selling smaller parcels of land with buildings creating letting opportunities of land only,encourage diversification, exploit Glastir opportunities.  | Ongoing positive review approach, but progress dependent on prevailing financial pressures.                       | 0.75 F.T.E. comprising two no part time rural surveyors, plus admin support. Limited use of external consultants with very technical matters.. |
| Powys              | 10,996     | Business Plan Action Plan being implemented | Scrutiny Committee Review 2009 | Largest estate in Wales Essentially reactive operational management, but with well-defined working practices for most activities.<br>Positive commitment to future of estate with political oversight exercised by cabinet member and regular meetings of County Farms Board<br>Objective advice being given by external consultant.<br>Ongoing programme of investment, re lettings and infrastructure improvements subject to prevailing financial pressures. | Current County Farms Board focus on developing updated Estate Management Plan.                                    | 2 no rural surveyors. Maintenance support provided by Building Services Team.  |
| Rhondda Cynon Taff | 200        | No discrete plan                            | N/A                            | Three agricultural holdings, plus significant number of grazing licences  | Will consider disposal of these assets when best opportunity arises or retain to exploit development potential.   | No dedicated professional management of small estate.  |
| Swansea            | 420        | No discrete Management Plan for estate.     | N/A                            | Estate comprises a small number of Farm Business Tenancies and short term grazing licences, but these are no longer managed for statutory smallholdings purposes.   | Not stated, but likelihood of rationalisation coupled with exploitation of development potential where it exists. | No staff dedicated to management of estate.  |
| Torfaen            | 210        | No discrete Management Plan.                | N/A                            | 2 farm holdings, plus @ 40 short term grazing licences only.<br>Essentially no longer managed for statutory smallholdings purposes.   | Not stated, but likelihood of rationalisation coupled with exploitation of development potential where it exists. | No staff dedicated to management of estate.  |

| Council           | Size acres | Management Plan   | Last Update | Current Policy   | Possibility of Change   | Staff Complement and Management Arrangements   |
|-------------------|------------|---|-------------|--|---|--|
| Vale of Glamorgan | 79         | No discrete Management Plan.                                  | N/A         | Only small rump of estate remains, the majority having been previously sold off.   | Not stated, but likelihood of rationalisation coupled with exploitation of development potential where it exists. | No staff dedicated to management of estate.  |
| Wrexham           | 1,000      | Managed in accordance with defined asset management policies. | 2009        | Current plan is to dispose of estate over time, with sales to sitting tenants at discount to reflect v.p. date or vacant possession or when development potential can be realised using capital receipts to invest in other priority areas.<br>Recognise plan implementation may take up to 20 years.<br>No recent re lettings or progression opportunities. | No current plans to change approach.  | One general practice surveyor manages estate as part of overall responsibilities. Maintenance Team deal with estate maintenance. |