

## Gwynedd Council Cabinet



<b>Date of meeting:</b>	<b>June 25th, 2019</b>
<b>Cabinet Member:</b>	<b>Cllr Gareth Griffith</b>
<b>Contact Officer:</b>	<b>Dafydd Gibbard – Senior Property Manager</b>
<b>Report title:</b>	<b>Management of the Council’s Smallholdings Estate</b>

### **Decision sought**

It is recommended that the Council should respond to the Communities Scrutiny Committee’s conclusions by:

- **Support the Cabinet Member in establishing a single County Smallholdings Consultation Panel to assist the Cabinet Member, with a clear constitution and brief, to assist the Cabinet Member in the management functions of the smallholdings estate.**
- **Commissioning work by the Property Service to consider if there are any financial benefits to be derived from establishing a company to manage the smallholdings estate in the future.**
- **Allow any future profit from the estate, which is above and beyond the sum already included in the Service’s current revenue budget, to be reinvested in the Smallholdings estate.**

### **1. CEFNDIR**

- 1.1 A report detailing the management arrangements and principles for the Smallholdings estate was presented to the Communities Scrutiny Committee on December the 13th, 2018.
- 1.2 Following careful consideration of the information presented, the Committee concluded as follows:
  - The Council should establish a single County Smallholdings Consultation Panel to assist the Cabinet Member, with a clear constitution and brief.
  - Consider if there are any financial benefits to be derived from establishing a company to manage the smallholdings estate in the future.
  - Keep the temporary staffing resource on a permanent basis
  - That any future profit from the estate, which is above and beyond the sum already included in the Service’s current revenue budget, should be reinvested in the Smallholdings estate.
- 1.3 Some of these conclusions require further work before being able to take action, and others have financial obligations, Therefore, in this report I will be considering the Scrutiny

Committee's conclusions and recommending how I believe the Council should proceed from here on.

## **2 The Smallholdings Estate**

- 2.1 The statutory provisions of smallholdings by the public sector dates back to the Smallholdings Act 1892. The majority of them were established following the First World War with the intention of offering opportunities for young families to become farmers in their own right.
- 2.2 By today there are 46 individual holdings in the Gwynedd Council Smallholdings Estate, with 35 in Meirionnydd, 10 in Dwyfor and 1 in Arfon. Of the 46 holdings, 39 come with a house and 7 are land only holdings.
- 2.3 The size of the estate extends to 2996 acres or 1213.53 hectares. The size of the holdings vary from 2.5 acres to 212 acres. The average size of a holding is 65 acres.
- 2.4 The tenant turnover is low. In recent years, only one or two changes have taken place every year.
- 2.5 In 2008, a comprehensive review of the Estate was carried out by a Working Group of the Resources Scrutiny Committee. It looked at the purpose of the estate, its financial performance and the management arrangements/principles. As a decade has passed since this review, it is now time to revisit this field and scrutinise the considerations related to providing farming opportunities by being owner of the Smallholdings Estate.

## **3 Purpose of the Smallholdings estate**

- 3.1 The main work achieved by the Working Group in 2008 looked at the purpose and principles of managing the estate. It was challenged whether or not there was justification to provide an 'optional' service of this type by considering the Council's current financial situation, and whether providing such a resource continued to be as relevant today as it was some decades ago when the estate was originally established.
- 3.2 The main conclusion of the Working Group was that smallholdings continue to play an important role in the rural community in economic and social terms and in view of this the Scrutiny Committee at the time decided that the reasoning that supported the importance of providing smallholdings should be ratified as follows:
  - Offer young people affordable access to the farming industry - opportunities that would be extremely scarce without the holdings offered by public authorities.
  - An opportunity for new farmers to establish their own businesses and offer the opportunities to move on to holdings of a more commercial nature in future.
  - Offer employment in rural communities and provide expert labour for other holdings.
  - An opportunity to support and promote the local economy in rural areas.
  - A bank of land ready for any challenges the Council may face in future including affordable homes, environmental plans, carbon trading etc.

- An opportunity to encourage and support environmentally positive strategies along with sustainable farming methods including environmental management schemes.
- Contribute to keep young people in the countryside and enable them to contribute towards all aspects of the area's traditional social life.

3.3 The Communities Scrutiny Committee shared this view when the matter was considered before Christmas, and was content that the reasoning for continuing to provide a smallholdings estate was clear.

#### 4 The Estate's financial performance

4.1 When the Working Group looked into the estate's financial performance in 2008, the income and the costs were as follows:

Income / expenditure heading	2008
Income (rent)	£165,800
Day-to-day maintenance costs	£106,300
Other revenue costs (including staffing)	£63,500
Central costs	£13,000
<b>Annual profit/ loss</b>	<b>-£17,000</b>

4.2 Therefore, at the time, there was a cost of £17,000 for the Council to provide the smallholdings estate.

4.3 The Members had a clear wish that the estate should be self-sufficient in future. In order to try to secure this some specific management principles were established e.g. regular rent reviews, transfer tenants to more modern terms, transfer repair and maintenance obligations to new tenants etc.

4.4 After adopting these principles, the difference in the financial position of the estate by today is as follows:

Income / expenditure Heading	2008	2018	Difference
Income (rent)	£165,800	£234,000	£68,200
Day-to-day maintenance costs	£106,300	£119,000	£12,700
Other revenue costs (including staffing)	£63,500	£67,900	£4,400
Central costs	£13,000	£16,000	£3,000
<b>Annual profit/ loss</b>	<b>-£17,000</b>	<b>£31,100</b>	<b>£48,100</b>

4.5 It can be seen that the estate is now self-sufficient in financial terms. Over the last decade, there is a difference of £48,100 between the loss in 2008 and the income to the Council by today.

- 4.6 It is seen that the income from rent has increased by £68,200 (41%) by being successful with our rent reviews and taking opportunities to transfer tenants from the old agreements to new agreements based on modern commercial terms.
- 4.7 The expenditure on maintenance has remained relatively consistent, mainly due to the change to modern agreements where the tenant is now responsible for maintenance which has assisted us to reduce costs.
- 4.8 In considering maintenance costs, regard should be given to the current condition of the holdings and the expenditure that is likely to face them in future. An annual review is held on the condition of the main buildings. The maintenance backlog (the expenditure needed to deal with existing defect across the estate) is £515,000.
- 4.9 The other revenue costs, including expenditure on staff resources have remained relatively consistent over the last decade. Only £9,600 is spent on the staffing resources within the Estate Unit for the day-to-day management of the smallholdings.

## **5 The Scrutiny Committee's Recommendations**

### **a) Establish a single County Smallholdings Consultation Panel to assist the Cabinet Member, with a clear constitution and brief.**

- 5.1 Historically, decisions relating to the letting of smallholdings have been made by the Cabinet Member with responsibility for Environment matters with assistance from other Members in the form of a Smallholdings Consultation Panel, one for letting holdings in Dwyfor and another for Meirionnydd.
- 5.2 I agree with the Scrutiny Committee's conclusion that establishing one County Panel would allow consideration of other matters beyond the current brief rather than advising on new lettings only.
- 5.3 I am of the opinion that it would be beneficial to expand the Panel's current brief to include matters such as prioritising expenditure, review the estate's performance, advising on more complicated tenant related issues etc. There will be a need to establish a clear brief in consultation with the Property Service and supported by the Legal Service.
- 5.4 I would foresee that the panel includes four Members and that there is a need to ensure equal membership from the two areas where the smallholdings are located whilst bearing in mind that there is a need for knowledge of the agricultural sector and the holdings themselves.

### **b) Consider if there are any benefits to establishing a company to manage the smallholdings in the future**

- 5.5 We are aware that the Council has recently successfully established a company under its control to manage the Healthy Living service and the Scrutiny Committee were keen to consider whether or not there would be any benefits from a similar arrangement to

manage the smallholdings.

- 5.6 On the surface, I cannot see that the same benefits would be achieved for the smallholdings estate. However, further work is required before we can come to definite conclusions. I believe that there is a need to compare the strengths and weaknesses of the current arrangements with any alternative options to establish whether or not there is a real case for change and I recommend that the Property Service leads on this work with support from the Legal Service and Finance Department.

**c) Increase the staff resource available to manage the estate**

- 5.7 The smallholding estates are managed by the Estates Unit within the Council's Property Service. The main work of the Estates Unit is to manage all the Council's tenancies (Approximately £1.1M of annual revenue income) along with negotiating the terms for purchasing property for our capital plans and selling properties that are surplus to need. Over the last decade the selling programme has generated approximately £12M in capital income for the Council to be able to use it to invest in our annual capital programme.
- 5.8 Until the local government reorganisation in 1996, the former Gwynedd County Council had two full-time officers managing the Small-holdings Estate. For some years after the estate was managed by the equivalent of one full-time officer. Over subsequent years, this resource was cut consistently and by 2008 there was no specific resource within the Unit to address small-holding matters. Over the last decade the management tasks have been fulfilled as a small part of the Estate Manager's function.
- 5.9 Over the past 12 months, we have been able to free up the time of another officer within the Unit to assist with the work of managing small-holdings and this has enabled us to address matters that could not previously be met. This has enabled us to increase the rent income and deal with a number of contractual matters that were outstanding due to lack of resources. This is a temporary arrangement and has been at the expense of performance in the Estates Unit's other work fields.
- 5.10 However, the additional resource has undoubtedly been a success and has allowed the Unit to deal with matters which had been awaiting attention for some time. Therefore, following a recent restructure, the Service has already been able to generate additional capacity within this Unit which has allowed confirming the additional temporary resource on a permanent basis. A Senior Estates Surveyor will be able to allocate half of her time to deal with this work from now on.
- 5.11 Therefore I believe that the Service has already responded to the Scrutiny Committee's conclusion in this instance.

**d) That any future profit from the estate, which is above and beyond the sum already included in the Service's current revenue budget, be reinvested in the Smallholdings estate.**

- 5.12 The estate's financial position has changed considerable over the last decade and now the estate is self-sufficient and generates an annual profit in the region of £31,000 above the running costs. The Scrutiny Committee recognised that this income is included in the Service's revenue budget and that the Council therefore depends on this current sum. The members accepted that the current profit could not be reinvested within the estate without having to discover a saving equating to the same sum in another area and they did not feel that it would be sensible to increase the requirement for revenue savings at such a challenging time.
- 5.13 However, should the income increase again in the future (through further rent reviews or by transferring tenants to more modern terms) the Scrutiny Committee was very keen to recommend that the additional sum should be allocated for reinvestment within the estate.
- 5.14 I agree with this conclusion and recommend that any new profit generated in the future (i.e. above what the Council currently relies upon) be made available for reinvestment within the Smallholdings Estate itself.

#### **Statutory Officers' views:**

**i. Monitoring Officer:**

The report notes that there is a historical practice of appointing panels to assist the Cabinet Member with the letting of small holdings. The recommendation to amalgamate and create one panel seems sensible. I can work with the Service and the Cabinet Member to establish terms of reference which accord with the current scheme of delegation in the Constitution. I note the Finance Officers comments in relation to the feasibility and value of transferring to another entity. Such a transfer is not a simple undertaking and there need to be a careful weighting up of the effect of the change in governassnce, the need for contracts , tax and cost effectiveness before setting off down this road.

**ii. Head of Finance:**

I note that it is recommended to respond to the conclusions of the Communities Scrutiny Committee in 3 steps. First, I agree that establishing one county-wide advisory panel for the smallholdings could assist the relevant Cabinet Member. There are financial implications regarding the other 2 recommendations.

Should the smallholdings' income increase further in the future, we would be able to identify the 'additional' income and set it aside in the smallholdings fund to be reinvested in the estate (as is already done with the Council's property maintenance fund). I understand that there are reasons to earmark the smallholdings' additional income in this way, but that should be a rare exception, rather than a precedent to spread across the rest of the Council's budgets. However, I am not convinced that there would be any added value in establishing a company to manage the smallholdings. Evidence from several places obviously shows that this would certainly create unnecessary additional costs (overheads) that would be disproportionate to the service / estate.

