

THE COUNCIL'S POLICY FOR MANAGEMENT OF THE SMALLHOLDINGS ESTATE

Report By: Director of Resources

Wards Affected

County-wide.

Purpose

1. To advise the Strategic Monitoring Committee of the Council's policy for the management of the smallholdings estate.

Financial Implications

2. It will be difficult to achieve current revenue income budgets with the impact of further property sales resulting in a reduction in rental income receivable. However in the medium to long term the increase in crop prices will result in an increase in rental values but only when rent reviews or a change in tenancy takes place.
3. Capital receipts achieved to date total £3.2 million.
4. The target of £10 million capital receipts over a 10-year period from 2005 will be achieved.

Background

5. This report is to comply with a request from the Strategic Monitoring Committee for more information on the Council's policy for the management of the smallholdings estate.
6. The Council's smallholdings estate extends to over 5,500 acres (2,223 hectares) and includes 61 farm units and 2 stand-alone cottages.
7. The estate is widely distributed across the county.
8. There are 11 dairy farms and 50 stock and/or arable farms, plus 164 acres (66.4 hectares) of woodland.
9. Forty farms are held on tenancies under the Agricultural Holdings Act 1986 that would convert to 3-generation succession tenancies if not sold to a smallholding authority.
10. The estate achieved an annual income of £424,000 in 2006/07, plus approximately £16,000 in respect of milk quota. Last year's expenditure was £277,000, leaving a net income of £163,000. The annual income budget has fallen to £404,000 in 2007/08.

Further information on the subject of this report is available from
Malcolm MacAskill, Head of Asset Management and Property Services on (01432) 260227

11. The current policy for the management of the estate was approved by Cabinet on 19th May, 2005 as part of the Council's Property Strategy. The policy includes
 - a) The rationalisation of the estate as opportunities arise.
 - b) Gradual improvement of the retained building stock.
 - c) offering vacant farms to aspiring young farmers
12. This policy of managed rationalisation of the Council's Smallholdings estate also forms part of the Council's Asset Management Plan. The policy is therefore to rationalise the estate by disposing of unsuitable or high maintenance property as the opportunity arises, with a receipts target of £10 million over a 10 year period. This was re-emphasised in the report to Cabinet, on 18th January, 2007, on Asset Management Plan Overview Issues.

Risk Management

13. Estimated disposal values cannot be guaranteed.
14. Active management of the estate to maintain income levels in the face of difficult market conditions and to improve capital value.

Alternative Options

15. The Council could decide to dispose of the smallholdings estate:
 - a) As a single investment opportunity with sitting tenants.
 - b) As individual sales on the open market with sitting tenants.
 - c) As individual sales when properties become vacant.

RECOMMENDATION

- THAT: (a) the Council's policy for the management of the smallholdings estate be noted; and**
- (b) any suggestions to make to Cabinet be determined.**

BACKGROUND PAPERS

- Smallholdings Estate Management Policy – Background and Smallholdings Estate Management Policy - Strategy
- Property Strategy report to Cabinet 19th May, 2005.
- Asset Management Plan: Overview Issues Report to Cabinet 18th January, 2007.