

## **THE HEREFORDSHIRE SMALLHOLDINGS ESTATE**

### **1. Background**

- 1.1 The Council's smallholdings estate is a way into agriculture for aspiring young farmers who have insufficient capital to purchase a holding of their own or to stock a large farm in the private tenanted sector. The problems of moving on from a smallholding to a larger farm are increasing year by year as the size of farms increases. The smallholdings estate also provides landscape, conservation and social functions. The Almeley Estate is the largest area of small enclosures with hedges forming a traditional landscape left in Herefordshire. The smallholdings estate is a base for rural skills that are fast disappearing. For an industry to thrive it needs young, innovative, enthusiastic and hard working participants. In agriculture as a whole we see the average age of farmers increasing with more and more land going to fewer and fewer individuals with an ever decreasing work force directly employed and a greater use of contractors being made to do standard maintenance work and peak time work which is likely to ensure that there is always an adequate supply of part time work available.
- 1.2 In the light of the above and the continuing fast changes in agriculture the estate will need to be rationalised. To pay for improvements with major repairs to farm buildings and houses, capital will have to be raised by the selling off of various holdings to leave a core estate that can be properly serviced to comply with Farm Assurance and the ever increasing demands of Health and Safety legislation. Farm Assurance is a physical check carried out every year on farms, covering grain handling and storage, stock facilities, etc. this guarantees that a farm is of a standard, suitable for the produce to be sold without restriction. Farms are independently certified and periodic spot checks are undertaken.

### **2. The Management Strategy**

- 2.1 The past few years have seen major changes within the agricultural sector, and the Smallholdings Estate Policy must adapt to these. The major changes have been the introduction of Farm Business Tenancies, Agenda 2000, the BSE crisis, Foot and Mouth, more recently the incidence of blue tongue, deregulation of the milk markets, the increasing awareness of the general public over food safety and animal welfare, the fall in product prices and the increased pressures on the upgrading of fixed equipment to comply with Farm Assured schemes. In the light of these changed circumstances the Smallholdings Estate Policy has to change too.
- 2.2 If these issues are not faced then the Council holdings will cease to offer a "Ladder of Opportunity". At the same time the ratepayers will rightly question the Council holding an asset that only benefits a small number of tenants.
- 2.3 The Smallholdings Estate Policy assists the Council in reaching its targets as indicated in the Corporate Plan 2007 to 2010, the Asset Management Plan and the Asset Management and Property Services Plan 2007 – 2010 to ensure the flow of benefits from the Council's Smallholdings Estate to the whole community. The Smallholdings Estate Policy aims to:
- a) Keep the traditional landscape (example Almeley Estate is the largest area of traditional size enclosures remaining in Herefordshire).
  - b) Open suitable woodlands to the general public.
  - c) Open farms for educational purposes.
  - d) Explore the possibility of using a farm or farms for Care Farms in conjunction with social services.

- e) Promote farm shops which sell local produce and keep food miles to a minimum.
- f) Promote environmental benefits in conjunction with the bio diversity action plan and the carbon management plan.
- g) Promote employment of agricultural personnel.
- h) Retain a large capital asset which has shown a steady increase in value as a resource and can be utilised appropriately to assist future capital projects.
- i) Meet or exceed the relevant performance indicators from the Asset Management and Property Services Plan, which are:
  - i) 90% occupancy of farms (current occupancy 96%).
  - ii) To monitor rents on a monthly basis and work from 5% arrears towards a position of no arrears (currently no arrears).
  - iii) To re-evaluate 20% of the assets per annum (31% revalued last year).

### **3. Objectives**

- 3.1 To rationalise the smallholdings estate as opportunities arise. Unsuitable or high maintenance properties will be disposed of as they become vacant.
- 3.2 To improve the retained building stock. An improved maintenance and refurbishment regime will increase the rental and capital value of the retained estate.
- 3.3 To generate £10,000,000 of capital receipts, net of expenditure on approved maintenance and improvement projects, over a ten year period from 1st April 2005. (See Appendix 5 – disposals to date).
- 3.4 To monitor rent arrears closely. Early intervention where rent arrears arise will aim to assist the tenant to repay any outstanding amounts and bring the farm back to profit.

### **4. Other Outcomes**

- 4.1 To provide a range of starter farms for new entrants that would not otherwise be available on the open market.
- 4.2 To provide, encourage and facilitate progression into full time commercial holdings within the estate.
- 4.3 To forge links with private estates to encourage them to promote the letting of holdings to Council tenants, and encourage and facilitate such moves by tenants.
- 4.4 To seek to broaden and improve the skills and knowledge of the tenants.
- 4.5 To work in partnership with the tenants to enable them to maximise the earning potential of their holdings including through diversification.
- 4.6 To encourage diversification and the development of income from outside the holding, wherever it is compatible.
- 4.7 To improve the capital value of the holdings by investing in modern facilities and low maintenance requirement improvements.

- 4.8 To obtain for the Council an acceptable return on capital from the smallholding portfolio by rationalising the estate as opportunities arise.
- 4.9 To encourage, support and promote environmentally sensitive practices on the farms and in the woodlands, particularly under the Countryside Stewardship Scheme.
- 4.10 To protect and enhance the smallholding estate's most important physical features such as lakes, rivers, listed buildings, Sites of Special Scientific Interest (SSSI's), ancient monuments etc., and other natural habitats.
- 4.11 To encourage and promote the highest standards of animal welfare, and to ensure that these high standards are upheld.
- 4.12 To ensure that all buildings where food produced is stored or processed meet the stringent hygiene standards.
- 4.13 To encourage the use of the smallholdings estate as a corporate resource of the Council, opening woodlands to the public, farm open days etc.
- 4.14 To encourage sustainable practices across the estate in farm and woodland management.

### **5. The Farms**

- 5.1 The farms should provide opportunities to build capital to progress up the farming ladder, and beyond the Council smallholding sector. This implies that the farms should be reasonably equipped, offer a variety of sizes, and be capable of allowing a tenant to make a part time, or full time living. This would be ensured by the provision of starter farms, and larger progression units, and making use of the Farm Business Tenancies Act in order to maintain a progressive flow.

### **6. The Environment**

- 6.1 Council farms shall demonstrate best practice in terms of care for the environment and encourage tenants to take part in agri-environmental schemes such as the Countryside Stewardship Scheme, planting up difficult corners, re-vitalising ponds etc. The Council will take the lead as necessary. The Council in its turn will exercise care in the management of SSSI's, ancient monuments, listed buildings and woodlands under its control.

### **7. Efficient Use of Resources**

- 7.1 The Estate shall be managed to achieve the best financial return to the Council within its overall aims. This will involve a continuous review of opportunities to develop or enhance land and the adoption of efficient management practices, acting within the overall policy guidelines of the Council.

### **8. Valuation of the Estate**

- 8.1 The smallholdings estate is valued at £4,253,000 as at 31st March 2007.
- 8.2 The valuation of the estate is based on the instructions and guidance for valuation of rented farms as set out by the Association of Chief Estates Surveyors and follows CIPFA regulations and RICS "Red Book" Valuation Standards.

**9. Revenue Budget (2006/07)**

9.1

	<b>Actuals 2006/07</b>	<b>Budget 2007/08</b>
Employees	380.00	
Premises	268,092.57	218,630.00
Supplies & Services	<u>8,854.37</u>	<u>1,290.00</u>
Total Expenditure	<u>277,326.94</u>	<u>219,920.00</u>
Rental Income	424,050.08	398,690.00
Milk Quota	15,900.02	5,490.00
Other Fees And Charges	<u>273.50</u>	<u>0.00</u>
Total Income	<u>440,223.60</u>	<u>404,180.00</u>
Net Income	<u><u>162,896.66</u></u>	<u><u>184,260.00</u></u>

9.2 For 2006/07, this equates to a return on capital invested of 10.3% gross (3.8% net of expenditure). For 2007/08, the estimated outturn is 9.5% gross (4.3% net of expenditure).

**10. Capital Programme**

10.1 All expenditure from 1998 has come from revenue budget provision.

10.2 It has been agreed that future approved capital expenditure will be provided from receipts in excess of £1,000,000 in each year.