

NAME OF SCRUTINY COMMITTEE	COMMUNITIES SCRUTINY COMMITTEE
DATE OF MEETING	13 December, 2018
TITLE	Gwynedd Council's Smallholdings Estate
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CABINET MEMBER	Cllr Dafydd Meurig
PURPOSE	Scrutinise the principles of managing the smallholdings estate

1. BACKGROUND

- 1.1 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.
- 1.2 By today there are 46 individual holdings in the Gwynedd Council Smallholdings Estate, with 35 in Meirionnydd, 10 in Dwyfor and 1 in Arfon.
- 1.3 Of the 46 holdings, 39 come with a house and 7 are land only holdings.
- 1.3 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.
- 1.4 There are 2 holdings in the commercial category, 22 in the middle category, 15 in the start-up units and 5 holdings are grazing land only. Part of Penllyn Farm, Tywyn is on a business tenancy as a caravan site and the holding of Tŷ Nant, Dolgellau is currently let on a business tenancy as a café and bunkhouse.
- 1.5 The tenant turnover is low. In recent years, only one or two changes have taken place every year.
- 1.6 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.

2. PURPOSE OF THE SMALLHOLDINGS ESTATE

- 2.1 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.
- 2.2 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. In particular, it was concluded that this is one of the few opportunities for young farmers to have access to the agricultural industry nowadays - the first step on the ladder.
- 2.3 It was also concluded that continuing to provide these smallholdings contributed to keeping young people in our rural communities and therefore supported the rural community and economy.
- 2.4 It was acknowledged that the holdings no longer offered a living to families as they used to in the past. Nevertheless, they continue to make an important contribution to the rural economy and provide expert labour for holdings of a more commercial nature.
- 2.5 In light of the above, 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 the Tir Gofal scheme.
 - Contribute to keep young people in the countryside and enable them to contribute towards all aspects of the area's traditional social life.

3. THE ESTATE'S FINANCIAL PERFORMANCE

- 3.1 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
Annual profit/ loss	-£17,000

3.2 Therefore, at the time, there was a cost of £37,000 for the Council to provide the smallholdings estate.

3.3 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:

- a) The rents should be commercial and should therefore be reviewed regularly if there is an opportunity to secure progress.
- b) That every possible opportunity should be taken to terminate those tenancies that continue under the terms of the Agricultural Holdings Acts that existed before 1995. Due to stringent legislative conditions, the rents for these holdings are lower than the rent that could be secured under the legislation that exists by today. It is not possible to force any tenant to change to the new agreements but at times opportunities arise that enable negotiating a transfer from one agreement to the next. Should this be secured, it is then possible to set a more commercial rent level.
- c) To try to promote this change it was agreed to look favourable at requests for early succession from existing tenant sons/daughters if they were competent to farm the holding.
- d) That every time a holding is let to a new tenant that the maintenance responsibility should be transferred to the tenants. The hope was that this would lead to reducing the Councils maintenance costs over the years. It was highlighted at the time that there was a risk that the tenants would not appropriately maintain the buildings.
- e) The agreements offered should also be standardised. In particular, new agreements should be for a trial period of 5 years and then extended based on the performance of the trial period. A specific retirement age of 65 years old should be set at every possible opportunity in order to encourage turnover and to create opportunities to enable re-letting the holdings to young people at the start of their agricultural career.

- 3.4 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
Annual profit/ loss	-£17,000	£31,100	£48,100

- 3.5 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.
- 3.6 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.
- 3.7 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. Nevertheless, there are some statutory elements that cannot be transferred without creating significant risk e.g. testing gas systems, testing fuels, dealing with asbestos etc. We also face significant costs when a tenant who has been in occupancy for an extensive period of time leaves. Generally, the houses have dated considerably and before they can be let to a new family (with the tenant responsible for maintenance) the Council most often faces the significant costs of getting the house to an acceptable condition. Recently, £44,000 had to be invested before re-letting Cefn Madryn and £19,000 before re-letting Tyn y Ffridd. Additionally, we are currently facing costs of approximately £310,000 to renew drinking water purifying systems and supplies on 14 holdings. This has had a considerable effect on the average figure.
- 3.8 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. Our ability to deal with the backlog depends on securing capital funding from the Council's Assets Management Plan.
- 3.9 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.

4. COUNCIL'S MANAGEMENT ARRANGEMENTS

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 The work of maintaining the holdings along with ensuring compliance statutory regulations on ownership has been achieved by other Units within the Property Service which is the same for every other building in the Council's ownership. This resource is sufficient and works effectively.
- 4.5 It is the Cabinet Member with responsibility for Environment matters that has the responsibility to make operational decisions relating to smallholdings. However, the Cabinet Member has established Consultative Panels to assist with matters such as letting vacant holdings or to terminate tenancies. Knowledge of the holdings and the agricultural field in general is of assistance in seeking to manage the estate effectively. There is a separate panel for Meirionnydd and Dwyfor.

5. CONCLUSIONS

- 5.1 The reasoning behind providing small-holdings has been clearly noted in the second part of this report and was subject to detailed scrutiny in 2008. There has been no significant change to the estate since.

- 5.2 The estate's financial position has greatly changed over the last decade and now the estate is self-sufficient and generates an income to the Council £31,100 above running costs. This income is included in the Council's revenue budget. Should there be a wish to reinvest in the estate this would lead to the need to find an equivalent saving in another field. Should the income increase in future (through rent reviews or by transferring to new terms under modern arrangements) allocating the additional amount to be reinvested in the estate could be considered.
- 5.3 There has been no change in the management arrangements for some years but over the last nine months we have been able to increase the available staff resources to operate in this field (temporary) and this enabled us to considerably improve our management of the estate.