

NORTH LINCOLNSHIRE COUNCIL

CORPORATE SERVICES CABINET MEMBER

COUNCIL SMALLHOLDINGS

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider a review of the council's policy on the retention of smallholdings.
- 1.2 The main points in this report are as follows.
- The council is now able to use 100% of any capital receipts achieved from the sale of smallholdings.
 - Historic reasons for councils to offer tenancies of smallholdings are in the main outdated and no longer relevant.
 - There are disposal opportunities that if successful might produce significant capital receipts to support the council's Capital Programme.

2. BACKGROUND INFORMATION

- 2.1 The council owns over 1,050 acres of smallholdings and other agricultural land, all let on various tenancies. Currently they produce an annual income of around £85,000.
- 2.2 Prior to 31 March 2006, the four unitary authorities in the former Humberside area split the proceeds from the sale of any former County Council smallholding. This is no longer the case. This council can now retain fully the proceeds of any sale.
- 2.3 Following World War II councils used to provide smallholdings to give farmworkers the chance to establish themselves as self-employed tenant farmers. This is no longer workable. Farms of 100 acres or smaller are no longer viable. Most smallholders have other jobs. Many contract out the actual farming related work associated with their smallholdings.
- 2.4 The market for agricultural land is currently buoyant. Prices are at an all time high. Sales of farmland could therefore help meet any shortfall in the council's Capital Programme. Although sale prices have risen considerably, rent increases are subject to a cumbersome and costly

procedure and in comparison to sale values will be modest or non-existent.

- 2.5 Agricultural property is worth considerably more with vacant possession than when tenanted. Benefits arise from merging the landlords' and the tenants' interests, thereby gaining vacant possession. This is termed 'marriage value' and is likely to prove of significant interest to a number of council tenants.
- 2.6 Tenants hold smallholdings on one of two arrangements:
- Agricultural Holdings Act (AHA) tenancies – these run for the lifetime of the tenant.
 - Farm Business Tenancies (FBTs) – a new style tenancy for a fixed term.
- 2.7 Opportunities for disposals therefore exist. Indeed two tenants have already approached the council with different proposals. Achieving vacant possession is immediately possible on some smallholdings. Other similar opportunities are likely in the future.
- 2.8 There are some holdings that include property on the edge of villages. These could have some long term potential for development. The council should retain these holdings for now. This will allow a full review to quantify the potential for achieving the benefits of any future 'hope value'.

3. OPTIONS FOR CONSIDERATION

- 3.1 The council has three main options:

Option 1:

Retain the portfolio in full and retain the current annual revenue income of £85,000.

Option 2:

Dispose of the whole portfolio.

Option 3:

Carry out a review of the portfolio to produce a strategy for disposal or retention of holdings that will in financial terms maximise the council's short and long term disposal income.

4. ANALYSIS OF OPTIONS

4.1 Option 1:

This would mean the council would miss the opportunity to realise sales in a strong market, and could face a shortfall in its Capital Programme. The council might however be retaining assets that grow in value even further.

Option 2:

The council realises immediate sales, helps sustain its Capital Programme, but may not maximise the income from disposals from this portfolio.

Option 3:

This maximises current opportunities and also allows the council the time to gain maximum benefit from disposal of the portfolio.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Financial

The immediate disposal opportunities could realise around £1,500,000 in return for a loss of annual rental income of just £23,000. Disposal now of the whole portfolio might achieve a figure in the region of £2,500,000. A longer-term strategy for disposal might significantly increase this figure. Any disposal will reduce the revenue receipts to the council. This will need reflecting in on-going budgets.

5.2 Staffing

There are no direct staffing implications to this report. Existing staff resources will deal with all disposal work. The use of auctions, which are used widely in the sale and acquisition of agricultural land and property is proposed as a suitable avenue to mitigate for any workload pressures that might arise, providing that the best return is considered achievable via this route. This will allow deployment of existing staff resources to other priority opportunities for disposal if required to achieve optimum levels of net receipt on behalf of the council.

5.3 Property & IT

This report suggests a gradual reduction in the council's smallholding property portfolio.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

6.1 There are no other implications.

7. OUTCOMES OF CONSULTATION

7.1 No consultation has yet taken place with tenants on the contents of this report. However, it is apparent that a number of smallholding tenants are keen to have the chance to buy their farms. They would inevitably object to open market sales to third parties. The National Union of Farmworkers opposes the sale of smallholdings by councils. Nevertheless, a number of local authorities have gone ahead with disposals, including open market disposals, despite these concerns.

7.2 The Service Director Finance was consulted and supports the idea of realising capital receipts from the sale of smallholdings in order to help fund the council's Capital Programme ambitions.

8. RECOMMENDATIONS

8.1 That the Cabinet Member approves Option 3 so that the council can carry out a full review of its smallholdings portfolio to produce a strategy for the disposal and/or retention which will in financial terms maximise the councils disposal income from this portfolio.

8.2 That work begins immediately on the strategy with a view to putting in hand initial opportunities for disposal during 2010/11.

SERVICE DIRECTOR ASSET MANAGEMENT AND CULTURE

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Background Papers used in the preparation of this report:

None