



Report to the Finance, Performance and Resources Select Committee

Title:	Property Strategy
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Cabinet Member sign-off:	Cllrs Warren Whyte & John Chilver

Purpose of Agenda Item

The select committee have requested information about the Asset Strategy Review to ensure that the Council is achieving best value from its property portfolio. Particular focus is on the Agricultural Estate.

Background

The select committee have previously discussed a need to understand how the portfolio is being managed to ensure that best value is being achieved and also the mechanism for review of this management. The question of the value of the Agricultural Estate and whether it should be retained or disposed has been raised in past meetings.

The Council's Property Asset Management Plan (PAMP) 2015-2020 has proposed the overarching principles by which the estate should be managed. The asset review will take these principles further by producing an asset by asset management plan for the next 15 years.

There is no presumption within the PAMP for disposal or retention of any asset – indeed, there is a desire to unlock long term revenue streams rather than one-off capital receipts. As such each asset is subject to a detailed review to ensure that it is understood in detail, and that we are using the asset to deliver best value for the Authority over a 15 year period.

In addition to the financial value of the agricultural estate, there is an environmental value which is reinforced by its position within the Environment Portfolio overseen by the Cabinet Member for the Environment. Ownership of an extensive agricultural asset provides opportunities to influence future developments within the County. In addition we can use the estate to keep Buckinghamshire's environment special; an attractive place to live, work and visit. When assessing the asset review results, these aspects of environmental value will form a counterpoint to the financial assessment creating a decision making framework to aid Members in determining the 15 year plan for the agricultural estate.

Appendix One shows the Report to Asset Strategy Board from August 2015 which outlines the methodology of the review project in detail.

The Agricultural Estate is identified as an Investment Portfolio as against an Operational Estate.

Summary. The Asset Review

In order to manage the estate, it is important to understand it. This involves looking at the current Revenue Income & Expenditure, Investment Value (Market Value), the vacant possession premium, potential development or alternative use value and any other future external influences on value. It is also essential to consider any capital expenditure on the estate to ensure any efficiency savings are recognised.

Carter Jonas is an external consultancy who has been contracted by the Council to manage the Agricultural Estate on a day-to-day basis. As an extension of this, and on the basis that because of their everyday involvement they are very familiar with the Estate and its tenants, they have been instructed to conduct the Agricultural Estate Asset Strategy Review (AASR). They have examined the Estate on an asset by asset basis looking at:

1. Current tenure and ability to increase rent or achieve Vacant Possession now or in the future.
2. Short Term (1-2 Years) planning opportunities
3. Strategic planning opportunities
4. Income from mineral extraction opportunities
5. Opportunities with adjacent sites (e.g. Green Spaces, Country Parks)
6. Market Value and Vacant Possession premium.
7. Capital investment requirements (e.g. planned maintenance)

Carter Jonas have used this data to categorise the assets into core, non-core and tradeable assets to inform future investment decisions.

The draft report is due to be presented to Jo West in the next month, after which it will be refined and presented to Councillors Whyte and Chilver for comment. It is intended that the final report including recommendations will be available for full publication to Members by January 2016. Implementation of the approved recommendations will commence thereafter.

At the time of submission, the draft report is being finalised but preliminary highlights from the findings have been provided by Carter Jonas:

1. The Agricultural Estate comprises of approximately 4,500 acres of land and associated buildings. There are a variety of tenure types including
 - 1986 Agricultural Holdings Act
 - Succession tenancies
 - Lifetime tenancies
 - Assignable tenancies
 - Retirement tenancies
 - 1995 Agricultural Tenancies Act
 - Farm Business Tenancies
 - 1954 Landlord & Tenant Act
 - Mineral Leases
 - Telecoms Masts
 - Miscellaneous
 - Licences
 - Right To Buy
2. The total gross income from the estate is in excess of £600,000
3. A number of sites have been identified as having no key strategic interest now or in the future and have therefore been recommended for non-core or tradeable classification. This will create Capital Receipts.
4. Several sites have been identified as being under rented and rent reviews and/or new lettings will be instigated at the next possible legal opportunity.
5. **ALL decisions relating to disposal or acquisition are made by Members** – the review advises on a financial basis but it is only part of the decision making framework which operates within a social, environmental and political context led by our Members.

Key issues

There is potential for adverse publicity. Many of the tenants have been in situ for a number of years and have become accustomed to rent levels below current market levels and having a high degree of latitude in enforcement of lease terms. A more commercial

approach to managing the estate and to rent levels could mean that some tenants are required to move on. An example of this was seen at recently at a farm in the North of the County. The tenants had been resident for over 20 years but their tenure had ceased and was under rented. The property was offered to the open market with the current tenant being given equal opportunity to tender. Unfortunately, the sitting tenant offered significantly less than the top offers and was therefore required to vacate the property. The tenant was aggrieved and threatened to go to the press, this did not happen but it was a risk.

Mention has been made in the past of “The Covenant”. This is an historic requirement for Local Authorities to provide farms to soldiers returning from the war to enable them to find employment and to encourage food production. It continued with a desire to encourage young men into the farming industry as a career and was considered a stepping stone to larger holdings.

We have taken Counsel advice and they have confirmed that we are no longer legally bound by this covenant, however, there is still a belief from some that the Local Authority should provide entry into the industry. This misconception needs to be managed when there are objections to disposals of properties with no other potential. It is a point easily countered by the fact that the majority of current occupiers have been in occupation for many years and are not using the Council’s estate as a stepping stone into the let market and where the industry no longer works in that way.

Resource implications

The only resource implication for the duration of the review has taken the form of Project Management by the Strategic Asset Management team. The implementation stage may require further resource but the extent of that will not be known until publication of the final report.

The revenue and capital savings/receipt derived from the review are expected to recover the expenditure in a very short time scale with further income to follow. Financial resource will be required to commission Carter Jonas to handle any agreed actions from the recommendations but this will not be known until the report has been received and the future plan determined with the relevant Council members.

Next steps

The AASR final report will be reviewed by Officers and then presented to the Cabinet Member for input and review. A final implementation plan will be agreed and executed over the next 15 years.

Alongside the AASR, a review of the non-agricultural estate is being carried out. This second review (entitled Location & Asset Strategy Review (LASR)) is also looking at the Council's property portfolio on an asset by asset basis, but because of the impact of operational requirement, this is being handled very differently. This project has a targeted end date of June 2016 and is involving site visits, workshops with Service Delivery Units, and mapping to ensure maximum efficiencies.