

County Farms Task & Finish Group Report

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Cabinet Member: Cllr David Hall,

Division and Local Member: All

1. Summary

- 1.1. The purpose of this report is to update the Scrutiny for Policies and Place Committee on the work of the County Farms Task & Finish Group (T&FG), which met four times during September, October and November 2017, and to set out the recommendations of the Group for the Committee to consider.

The Committee agreed to set up a T&FG to review the sale of County Farms during the debate of the refreshed Asset Rationalisation policy at the 05 September 2017 meeting.

The previous policy on County Farms from 2010 identified a number of holdings retained for future sale because of future development potential. It was considered to be the right time to consider this list alongside all other holdings when assessing the options for disposal or retention. It was agreed that the T&FG should include a review of the rationale and purpose of retaining county farms.

2. Issues for consideration / Recommendations

- 2.1. Members of the Scrutiny for Policies and Place Committee are asked to consider the following recommendations of the Task & Finish Group.

- 2.2.
1. To continue to maintain a County Farms estate, based on land ownership rather than buildings. Existing farmhouses to be sold or let at market valuations as and when they become available, unless there is a strategic business need to retain them. Farm outbuildings and land, if suitable, to be marketed with planning permissions wherever possible, thus maximising financial returns. As part of this the Committee recommends the completion of a comprehensive review of the Council's lettings policy.
 2. To ensure there is a sufficient provision of small blocks of bare land (roughly 5 to 20 acres, with a maximum length tenancy possibly 10 years), to provide farming opportunities for genuinely new entrants to agriculture and encourage rural diversification.
 3. To champion a strong agricultural focus within Taunton and Bridgwater College and the University of Somerset, ensuring sufficient land opportunities are retained to help provide a strong agricultural focus in the county and to facilitate learning, whilst encouraging the development of an innovation centre for agriculture.

3. Background

3.1. 27 September 2017

At the first meeting, the Group elected Cllr Philip Ham as Chair and debated and agreed its terms of reference.

The Group considered a wealth of background information including the 2003 county farms estate review and the 2010 policy change as well as current county farm data.

The Group discussed and debated:

- sales discounts given to tenants purchasing county farms and associated 'claw-back' policies
- succession tenancies
- low rental returns and rent reviews
- diversification on county farm land

The Group established that:

- the Council has no statutory obligation to provide county farms
- no land has been bought by the Council since the 2010 policy (although there have been land swaps)
- the Council uses 3rd parties as appropriate to provide valuations, marketing and auctions of sales
- all leases since 1995 are made on a fixed term basis with no agreement for automatic extension
- most tenants are existing tenants with very few new to farming
- around four farms have been re-let since 2010, two of which were to new tenants
- the Council, currently as landlord, is responsible to repair and maintain buildings and not the tenant
- there is provision at Brymore School and Cannington for young people wishing to train for and enter the farming industry

The Group reviewed a covering letter and draft questionnaire to seek tenants views on county farms. They made a number of alterations before giving their approval to send these to existing tenants.

The Group discussed inviting witnesses to inform the review and agreed to invite representatives from: the National Farmers Union; the Tenant Farmers Association; young people interested in entering farming and current farmers who began their careers as tenant farmers on a county farm.

The Group requested additional information for the next meeting including: information regarding the demography of existing tenants; the 2014 Task & Finish Group report; the article 'Uncertain Harvest: does the loss of farms matter?' from the Campaign to Protect Rural England and information regarding the financial impact on the capital programme. It was also requested that a senior officer from Finance be available at the next meeting to present this and answer any questions.

3.2. 13 October 2017

At the second meeting, the Group considered a written from the Tenant Farmers

Association (TFA) which concluded that *'the County Council should halt its disposals policy and put in place a proper asset management plan which will deliver best value to Council Tax payers, whilst at the same time continuing to acquire wider community, environmental and social benefits through the ownership and management of the farms'*.

The Group received representatives from the NFU who presented a statement with an overview of the NFU's position. The statement highlighted a number of issues for the Group to consider and concluded that *'we do not wish to see Somerset county Council (SCC) adopt a general policy of land disposal without regard to the wider benefits which the County Farm Estates can bring to the rural economy and wider community within the county'*.

The Group discussed and debated:

- whether loss of county farm land would result in loss of influence over agricultural policy
- the importance of diversification
- low rental returns and how they relate to capital growth
- the decline in smaller farms
- the effects of Brexit on the future of farming
- the number of new entrant farmers, how long they remain tenants and where they move on to at the end of their lease
- the average age of farmers

The Group then considered documents provided by the Estates Manager including:

- A list of all county farms and relevant information including valuation, rental income, age of tenant etc
- Sales summary since 2010, including which were sold to tenants
- Re-lettings and extensions
- Holding plans for 4 farms with a lease due to end in March 2018

The Group established:

- re-lettings were to new tenants whilst extensions were to existing tenants
- the Council has no obligation to re-house tenants once the lease has ended

The Group then considered an overview from the Chief Accountant on what has been built into the current Capital and Revenue budgets. It was confirmed that a bare minimum of £6.5m is required from asset sales for the 2017/18 budget. Some of this has already been achieved with the potential for more from the sale of further county farms.

It was confirmed that for the 2018/19 budget as it currently stands, £1m in capital receipts to support the Capital investment Programme approved in previous years and £3m for revenue (transformation) was required. This requirement does not include any additional requirement for capital receipts required to fund the 2018/19 Capital Investment Programme projects.

The Chief Accountant stressed that the Council faces significant financial pressures and confirmed that capital receipts were also funding the revenue budget transformation projects.

The Group discussed and debated:

- the need to establish the reason for county farms and whether they are still needed
- another option would be to borrow - however there is a revenue cost associated with the financing any additional new debt
- selling farmhouses and barns for conversion instead of all the land

The Group established:

- the council has a statutory obligation to provide some services; farming is not a statutory service
- potentially selling farm buildings could raise enough capital receipts (the Council has already been using this model)
- the long-term view of the current policy is to sell off farms

3.3. 01 November 2017

The Group discussed the responses received to the tenant questionnaire. It was noted that there was a disappointing level of response and that made it difficult to draw conclusions. It was confirmed that the questionnaire was sent to 29 tenants who have full farms and there were 8 responses.

Overall the Group summarised that:

- the majority of tenants were grateful for the opportunities they have had
- most tenants have been in-situ for a very long period
- few tenants seemed to have exit plans
- some evidence of diversification was seen
- the responses demonstrated the static nature of county farms

The Group discussed and debated:

- county farms are not meeting their original aim to provide an opportunity for new entrants as so many tenants have been in place for a long time
- some tenants rent additional land from other landlords in addition to the SCC farm land.

The Group established:

- many tenants of farms from the A List have bought the farms or expressed a wish to and sometimes this has been a combination of buying and renting in order to facilitate a purchase.
- A number of tenants on B list have expressed a wish to purchase the farms they currently rent
- sales would be at market price unless the tenancy pre-dates the 1995 Act
- where tenants have expressed a wish to purchase and have at least a year left of their tenancy, the Council has tried to negotiate a sale with the tenant. When there is less than a year left, it becomes more difficult to justify selling to them and not on the open market
- Farm Business Tenancies started in 1995 and are all for a fixed term. The conditions of these leases are the same as for Agricultural Holdings Act tenancies to ensure fairness. Future tenancies could include different conditions, for example, with regard to repairs. This would relieve the financial burden on the Council

The Group then discussed and debated all of the county farms data received so far.

With regard to the 2010 policy, a Member commented that the decision seemed clear that where farms were retained it was only for future financial benefit. Another Member agreed but commented that the decision was taken pre-Brexit and consideration should be given to whether selling farms would enable the rural economy to thrive. The service area should make this decision on a case-by-case basis. Where it makes financial sense to retain this should be the case but where it makes sense to sell they should be sold. It is difficult to predict the future but this is the responsibility of the service area.

Members questioned whether the Council should continue to provide opportunities for new farmers. It was commented that this doesn't represent a good business decision. It was felt that the Council needs to agree its position regarding new entrant farmers.

Regarding the 2014 Task & Finish Group report, it was confirmed that SCC has not managed to make any solar panel arrangements. This has been attempted but not been successful – largely due to the cost of grid connection making this unviable.

It was confirmed that SCC has gained planning consent on some of the land it has sold. However, applying for planning consent is very expensive and this is difficult in a climate of reducing budgets. The service area is confident that it has done everything it could to maximise this.

Concern was expressed that selling land could result in more housing development and a shortage of agricultural land.

A suggestion was made that SCC could retain small blocks of bare land to rent to young farmers to develop their businesses, without residing on the land. There was broad support for this idea.

A Member commented that many residents he had spoken to were in favour of selling the farms. He expressed that land should be sold to farmers where possible and supported the idea of renting blocks of bare land.

A Member commented that farming needs a great deal of capital to get into and that long-term tenancies have taken the focus away from new entrant opportunities. We need to encourage economic development in Somerset and bare blocks of land could provide this.

It was confirmed that it is difficult for SCC to control the farming practices of tenants without using the law.

A Member commented that the Council has to manage its money and that selling assets is a part of that.

A Member expressed agreement with selling farms but not land. Blocks of land need to be big enough to encourage entrepreneurs and the Council needs to think long term.

The farms we have are too big for new entrants so small parcels of land may be the answer for first level entrants.

It seems logical to sell farmhouses and retain some land for first level farming opportunities.

It was confirmed that SCC will always have a strategic land bank of some sort and won't sell off all of its land.

In further discussion, it was clarified that each farm sale would be subject to the usual decision-making process in order to be authorised. This would be based on careful consideration and negotiation of the right price and time to sell. Any decision would be subject to the usual call-in process. Members would be notified of any decision. It was clarified that there is generally consent with the majority of farm sales.

3.4. 09 November 2017

The Group were informed that the former county farm tenant had not been able to submit a written statement due to personal circumstances but the Chair shared some informal information about his farming experience and successes after having begun his career as a county farm tenant

The Group then took time to discuss and debate all of the information gathered so far.

It was confirmed that the valuations contained in data received from Property Services were based on 2010 prices and on land with houses. Some land has been sold at a higher rate since this and some at a lower rate. House valuations were also at 2010 prices.

A Member questioned if farms sold so far had been re-sold or were still being farmed. Where farms have been sold privately (with no market discount), 50% of any increase in value if re-sold within 3 years would be payable to SCC. This has recently been extended to a 5 year period. Where farms have been sold to an existing tenant at a discounted price, a proportion of the discount would need to be paid back to SCC if re-sold within 5 years. Where farms have been sold to existing tenants, the vast majority are still being farmed although some may have re-sold small parcels of land.

A Member stated that it was important to keep farms in Somerset and it seems that this is happening. However, it doesn't matter if they are owned by the Council or owned privately.

A Member commented that having analysed the rental income data, that there were clear differences between the rental rate of fixed tenancies and lifetime tenancies. Better value was achieved from land only than from lifetime tenancies.

A Member commented that the central government policy of lifetime tenancies had spoilt the Council's ability to manage the farms. With no new lifetime tenancies, they could now be managed far better and receive a better return.

It was confirmed that the total open market value estimate of the farm estate was around £50m, assuming vacant possession and the rental income was around £419k per year. It was commented that this represents a less than 1% return

which is appallingly low. It was also commented that increase in land value needed to be considered. However, a further comment highlighted the need to consider the cost of repairs and maintenance too. Responsibility for repairs could be placed on the tenant for fixed term tenancies.

A Member questioned why three cottages had been retained. It was explained that these resulted from regulated tenancy and as a retirement holding as a result of lifetime tenancies. It was confirmed that the tenants had been in-situ for a long time with low rental rates but there had been nominal rental increases over the years of their tenancy. A Member questioned whether the Council was obligated to find retirement accommodation for the tenants. The wording of the Act is ambiguous but indicates that the Council may have to. If alternative accommodation was not provided and the farm was re-let, the lifetime tenancy would have passed on.

A Member commented that county farms only benefit very few people when compared with a facility such as a library. There are lots of other things that we need to spend money on and we could utilise the money better elsewhere. Retaining small blocks of land would enable opportunities for farming entrants in a much more cost effective way.

The Group then moved on to discuss conclusion and recommendations. A number of potential headings for the Group's final report were suggested by the Chair and these were discussed in detail by the Group.

The following additional suggestions were put forward by Members:

- selling high value land/properties and re-investing some of the capital to purchase low-value replacement land
- putting some land into Trust
- managing the estate in partnership, for example with Devon County Council
- ceasing to give a discount on sales
- ensuring contracts for Farm Business Tenancies include that rent should be equal to the earning capacity of the land. Therefore, if tenants chose to diversify and are successful, the Council as landowner would receive a proportion as an increase in rent.
- consider ways in which Members can be better involved with decisions over what land to sell/retain
- consider borrowing if interest rates are lower than the increase of land value

After a lengthy debate, the Group agreed a set of recommendations to make to the Scrutiny for Policies and Place Committee.

4. Consultations undertaken

- 4.1.**
- The National Farmers Union
 - The Tenant Farmers Association (written statement)
 - Existing county farm tenants (questionnaire)

5. Implications

- 5.1.** This report has no direct implications, although the Group felt the next steps with the County Farms policy were key for the Authority.

6. Background papers

- 6.1.**
- County Farms Estate Review (2003)
 - County Farms Policy Key Decision (2010)
 - County Farms Distribution Map
 - County Farms Sales Data since 2010
 - County Farms Management Overview
 - Tenant Questionnaire & responses
 - Current County Farms Data (size, tenancy type, valuation, rental income, demography, SCC expenditure, full farms/land only)
 - County Farms Task & Finish Group Report (2014)
 - 'Uncertain Harvest', Campaign to Protect Rural England (2017)
 - NFU Statement
 - TFA Statement and supporting documents (TFA statement from 2010 Review, 2020 Vision for County Council Smallholdings, The Importance of the County Farms Service to the Rural Economy (2008), LA Rural Asset Management Planning – Good Practice Guidance (2015))
 - Re-lettings and extensions data
 - Farm holding plans
 - Market Survey: UK Agricultural Land, Savills (2016)

Note For sight of individual background papers please contact the report author