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CABINET
Tuesday, 6th November, 2018

The use of Welsh by participants is welcomed. If you wish to use Welsh please inform us by noon, two working days before the meeting

S U P P L E M E N T A R Y P A C K

9.	**REVIEW OF FARMS POLICY**

Scrutiny Observations on the County Farms Policy attached.
(Pages 3 - 10)

14.	**NORTH OFFICE REVIEW**

Please note that this item has been withdrawn.

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Powys

Learning, Skills and Economy Scrutiny Committee
Scrutiny Observations to Cabinet on: Review of County Farms Policy

The Learning, Skills and Economy Scrutiny Committee met on the 13th August 2018 and considered the following documents:

- Cabinet Report on the Review of Farms Policy v5
- County Farm Estate Delivery Plan 2018 (FEDP18)
- Answers to questions asked before Committee
- Extract from PCC Strategic Asset Management Plan 2017-2020 agreed at Cabinet 14th March 2018
- Outcome of Condition Survey of County Farm Estate considered at Cabinet on 1st November 2016
- Extract from Capital Strategy 2018-2023 agreed at County Council on 22nd Feb 2018

The Learning, Skills and Economy Scrutiny Committee thank the Portfolio Holder for County Farms Leader of the Council R Harris, Portfolio Holder for Finance, the Professional Lead – Strategic Property and Estate Manager for attending scrutiny and in particular commend the service for providing written answers to initial questions in time for inclusion with agenda papers.

Scrutiny undertook pre-Cabinet Scrutiny of the Review of Farms Policy which is due to come to Cabinet on 18th September 2018 for the following decision:

Recommendation:	***Reason for Recommendation:***
The Farms Estate Development Plan 2018 in Appendix 2 to the report is adopted as the estate management plan for the County Farms Estate.	***To maintain the Estate as a viable operational asset.***

Background information relating to this paper is attached at Appendix A.

Scrutiny make the following observations:

- The Cabinet Report puts forward the FEDP for adoption with a new vision 'to provide a good quality, efficient farm estate that encourages new entrants into the farming industry and enables progressions which support the Powys economy'. The Cabinet report includes the following statements:
    - 'it is considered appropriate that progressive rationalisation is maintained…'
    - 'whilst it is appropriate that the Estate disposes of certain surplus assets it should be remembered that a disposal may reduce the opportunities offered by the estate to new entrants to agriculture and furthermore, limit opportunities to grow revenue in future. It is important that the critical mass of the Estate is maintained if it is to continue to fulfil its prime objective as an operational asset and not simply to deliver Capital receipts'

  One of the aims of the estate is to attract new entrants to farming. It appears that limited progress can be made in this respect with approximately one third of the holdings occupied by lifetime tenants. In addition, the FEDP states those on Farm Business Tenancies are able to occupy a starter farm and have options of lease renewal and progression for up to 40 years. This effectively means once a tenant has an estate farm they can potentially remain tenants on the estate for the whole of their working life. This part of the policy does not contribute to the aims of promoting opportunity for new entrants to agriculture. It is understood that the current policy gives an initial 8 years for a starter farm with opportunity to renew for a further 8 years after which the tenant would be required to move to a progression farm. This policy was introduced in 2012 and therefore the effect of this policy is not yet being felt.

  The analysis undertaken at section 5 makes no mention of Brexit and the issues that are now being faced by the farming industry. This omission needs to be addressed in this section.

- Financial Management

  This section of the FEDP is unclear. It mentions capital bids but is silent on the capital funds it requires to meet its landlord liabilities for repairs and maintenance and improvements (noted in the introduction as £4million in 2015). This section needs to be updated to reflect the current position regarding repairs and maintenance and improvement.

    - Repairs and maintenance and improvements

  Whilst there has been ongoing investment in the estate since 2001 to address the following liabilities:
  Pollution Control
  Investment following Amalgamation
  Health and Safety
  Tenants Compensation
  and costs associated with rationalisation, liabilities continue to exist and, although stated in the report as £4million (2015 figures) scrutiny were advised that since 2015 £1million has been invested from the central capital strategy to address the liabilities. The £4million had been an estimate which, when

investigated had risen to £4.5million. Outstanding liabilities stand at £3.8million.

- Contributions to central capital receipts

The Farms Estate is currently expected to contribute £1million of capital receipts to central funds (retaining 10% of capital receipts for use by the service). Welsh Government currently allow capital receipts to be used for revenue purposes related to transformational projects.

Scrutiny were provided with detail of capital receipts since 2010:

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
£1,283,097	£1,999,083	£494,705	£742,500	£545,000	£1,447,600	£1,774,861	£553,938

and projected capital receipts to 2020/21

18/19	19/20	20/21	21/22
£1,312,950	£725,000	£745,000	£460,000

It is acknowledged that opportunity receipts (sales of land or property with added value due to for example planning consents) are not included in these projections as these are uncertain.

Attention is drawn to this decrease in projected capital receipts to 2021/22 and the impact this will have on Council finances going forward.

It appears that the service consider that the Estate has been rationalised to the extent that in general only core assets remain. This is contrary to section A of 'How we will do it' which outlines 'identify a core estate of farm units both at starter and progression level by reference to the following matrix of considerations'. This action is similar to the 2015 iteration of the policy which stated: 'Identify a core estate of farm units both at starter and progression level'. This is one of a number of actions which appear not to have been acted upon during the intervening years and is a fundamental part of administering the plan.

The section on Financial Management needs to be amended to show the detailed position regarding the repairs liability (noting the risk to the Council regarding outstanding liabilities)

Summary

The proposals submitted to Cabinet appear to offer little choice other than the status quo. It is not clear the extent to which the Estate is meeting the aims of 'providing a good quality and efficient farm estate that encourages new entrants into the farming industry and enables progression which support the Powys economy'. It is clear that with the backlog of maintenance and repairs, and improvements that are required the estate holdings are not all of good quality and this will impact on the level of rental income that can be achieved. The estate consists of one third of Agriculture Holding Act holdings which will only be able to be offered to new tenants at the end of the lifetime of existing tenants. This leaves some 84 farms available for starter/progression tenancies at present. The lettings policy allows for tenants to remain on the estate for 40

years which again does not support the promotion of farms to new entrants. The estate is required to provide £1million of capital receipts to central capital funds each year. The Strategic Asset Management Plan notes a declining contribution to central capital receipts in the immediate future and this issue needs to be given serious consideration given the severe financial situation the authority is facing.

Recommendations:

1. **That Cabinet be given the opportunity to consider alternative proposals to the status quo.**
2. **That Cabinet make clear the contribution that County Farms are expected to make to the central capital receipts in the immediate and medium term**
3. **That Cabinet make clear how the landlord liabilities will be dealt with in a timely manner**
4. **That given the issues raised during pre-cabinet scrutiny the Finance Scrutiny Panel be tasked with undertaking the report agreed at Cabinet on 1st November 2016 (That a further report be drafted for Cabinet in January on the long term financing of the County Farms Estate)**
5. **That the Policy is revised to ensure that the objectives of supporting new entrants is achieved.**

Membership of the Learning, Skills and Economy Scrutiny Committee on 13th August 2018

County Councillors **D R Jones (in the Chair),** M Barnes, G Breeze, K W Curry, L George, E M Jones, D Jones-Poston, S McNicholas, L Roberts, P Roberts, E Roderick and D Selby.

Background

Powys County Council is a small-holding authority under the provisions of Part 3 of the Agriculture Act 1970 of which the general aim is:

'having regard to the general interests of agriculture and of good estate management, shall make it their general aim to provide opportunities for persons to be farmers on their own account by letting holdings to them' [1]

It holds the largest farm estate in Wales.

In 1999/2000 the Estate was reviewed by Bruton Knowles and a Farms Rationalisation Programme agreed which was reviewed in 2004 by Bruton Knowles reporting to Board in April 2005. [2]

Since 2000 the Estate has generated capital receipts of £16million [3] through disposals as part of the rationalisation of the Estate and sale of non-core assets. It is the Estates Department view that the non-core Estate has largely been disposed of and predicts that capital receipts are set to fall in the near future. Opportunity sales are not included in these predictions.

Since 2009 the Council has required 90% of capital receipts to fund the central capital programme. [4]

At present there is an expectation that the Farms Estate will contribute £1million annually of capital receipts.

The Cabinet Report and FEDP under consideration states that in 2015 a condition survey of the Estate was undertaken which found that repairs of £4million were required. [3] However, on the 1st November 2016 Cabinet had received a report on the outcome of the condition surveys of the Farms Estate which identified a backlog of works to be £7.65million. [5] Cabinet were asked to consider that £500,000 /annum would be made available for urgent repairs and agreed that this would be taken into account when setting future Medium Term Financial Strategies. [5]

These points are explored in further detail below:

Size of the County Farms Estate

Source	Date	Size - acres	No of holdings
Bruton Knowles	1999	?	212
Bruton Knowles – Board Report	April 2005	11,910	188
Briefing to scrutiny	2013	11,218	151
Cabinet report	2018	11,250	140

Capital Receipts

Capital receipts since 2010/11 were provided to Scrutiny and are:

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
£1,283,097	£1,999,083	£494,705	£742,500	£545,000	£1,447,600	£1,774,861	£553,938

Capital receipts provided to scrutiny are projected to be -

18/19	19/20	20/21	21/22
£1,312,950	£725,000	£745,000	£460,000

Originally the service retained 33% of capital receipts above £200,000 per annum (Agricultural Committee 1999) [6] but by 2001 the service were retaining 75% of receipts to address landlord liabilities in the following areas:

- Pollution Control
- Investment following Amalgamation
- Health and Safety
- Tenants Compensation

. (Agricultural Committee 2001) [7]

In 2005 a review undertaken by Bruton Knowles was considered at Cabinet where it was agreed to '*adopt in principle Bruton Knowles' recommendations and to continue a programme of farm rationalisations based on the Model A+ prescribed in the Bruton Knowles Review 2005 and that the matter receive detailed consideration by the Corporate Property Panel'*. Model A+ was described in the report as:

> 'a slightly more aggressive approach to rationalisation than the current process. This scenario anticipates, over a ten-year period, some £14.295 million being released through sales of redundant property and land. A reduced number of tenants of combined with a reduced land holding will mean that rental income reduces to £806,261 annually. This model envisages the sale of isolated smallholdings, amounting to 309 acres, which cannot be amalgamated with other farms'
>
> (Board Minutes 2005) [8]

In 2006 pressure on Council finances led to the retention of capital receipts by the Estate dropping to 60% (Board minutes 2006) [9] and in January 2009 this was further reduced to 10% *'to provide a capital programme for the next 3 years'* (Board Minutes 2009) [10]

At present retention of capital receipts by the Farms Estate remains at 10%.

The additional information provided to scrutiny notes a projected contribution to the Councils capital receipts for the next 3 years as:

18/19	19/20	20/21	21/22
£1,312,950	£725,000	£745,000	£460,000

Papers provided to scrutiny 18 September 2018 [3]

Repairs

It appears the Estate has been maintained to a varying degree over the years and a significant level of repairs and maintenance, and improvements are outstanding. There has been investment funded from varying levels of retained capital receipts since 2000 and more recently capital investment of £500,000 for at least two years agreed by Cabinet. This appears to be making little inroad into the outstanding repairs and maintenance required.

Section 2 of the 2018 FEDP notes that urgent liabilities of £4million were identified in 2015 but 4.2 of the same report notes that the services will 'Develop a costed programme of works to tackles identified maintenance issue'. From this it appears that no action has been taken to address the 2015 maintenance liabilities despite the Cabinet providing £500,000 for at least 2 years to address this. It is understood that the 2015 figure rose to £4.5 million when further investigation of work required was undertaken and at this stage £3.8million of outstanding repairs and maintenance are required.

Revenue income

Revenue income is outlined in the reports provided to scrutiny as:

2016/17 £1,117,000 (before capital charges but including internal corporate charges of 575,000)

2017/18 £1,126,578 before capital charges but including internal corporate charges of £732,941)

Capital charges were confirmed as an accounting tool and in this case do not affect the revenue accounts.

References

1. Agricultural Act 1970 Part 3 Section 39
2. Board Minutes 5th April 2005
3. Cabinet report and FEDP provided to scrutiny 18 September 2018
4. Minutes of Board 13th January 2009
5. Minutes of Cabinet 1st November 2016.
6. Minutes of Agriculture Committee 21st September 1999
7. Minutes of Agricultural Committee 11th January 2001
8. Minutes of Board 5th April 2005
9. Board minutes 14th November 2006
10. Board Minutes 13th January 2009

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