

MINUTES OF A MEETING OF THE LEARNING, SKILLS AND ECONOMY SCRUTINY COMMITTEE HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON MONDAY, 13 AUGUST 2018

PRESENT

County Councillors M Barnes, G Breeze, K W Curry, D O Evans, L George, D R Jones, E M Jones, D Jones-Poston, S McNicholas, L Roberts, P Roberts, E Roderick, D Selby and Mr J Brautigam (Vice-Chair of Audit Committee)

County Councillors R Harris (Portfolio Holder for County Farms) and A Davies (Portfolio Holder for Finance)

Officers: N Morgan (Professional Lead – Strategic Property), H Van-Rees (Estate Manager) and E Patterson (Scrutiny Officer)

Meeting Chaired by Vice-Chair.

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| 1. | APOLOGIES |
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Apologies for absence were received from County Councillors B Davies, S Davies, G Jones, K Laurie-Parry, I McIntosh, J Pugh and G Thomas.

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| 2. | ELECTION OF VICE-CHAIR |
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County Councillor D R Jones was elected Vice-Chair for the ensuing year.

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| 3. | DECLARATIONS OF INTEREST |
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A personal and prejudicial interest was declared by County Councillor David Evans who has a relative that tenants a County Farm.

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| 4. | DECLARATIONS OF PARTY WHIPS |
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No declaration of Party Whips was received.

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| 5. | REVIEW OF FARMS POLICY |
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Documents:

- Draft Cabinet Report – Review of Farms Policy – v7
- Farm Estate Delivery Plan 2018 – v3
- Farm Estate Delivery Plan 2018 – 004
- Pre-meeting questions and answers

Introduction

The Portfolio Holder introduced the paper explaining that County Farms was a large project which the Council had not paid sufficient attention to. The estate consists of approximately 11,500 acres with around 140 farms. Over 500 acres have been sold in recent years with a decision made to invest the capital receipts in Schools Transformation retaining 10% in the service. This is insufficient.

Discussion

How is the Estate managed?

Two Officers manage the estate based in Newtown. The majority of the Estate is in Montgomeryshire and is concentrated in the Severn Valley, around Kerry and Caersws with fewer holdings to the west. There has been a broad mix of tenants predominantly beef and sheep with dairy farming decreasing. The average size is around 73 acres with the tenant often owning or renting other land.

What numbers of tenants are working as contractors?

On all but the largest farms tenants rely on other income especially now properties are let on commercial rates (Farm Business Tenancies) instead of Agricultural Holdings Act tenancies which which ties rent to the commercial productivity of the farm.

To what extent is the other income a tenant received taken into account when considering tenders?

When farms are let the viability of applicant's proposals is examined to ensure that the Council will receive the rental income. Some tenders submitted are not commercially viable. For the majority of farms it is expected that applicants will continue with off-farm employment.

What is the demand for County Farms?

Demand is strong with a recent farm attracting 19 applicants. These are shortlisted and a number of applicants could have made tenants.

The future of farming is changing with a move towards either intensive or environmental farms and changes to the Single Farm Payment. How prepared are the service to support tenants through this challenging period?

It is difficult to be prescriptive because of the current lack of detail on future support payments and indeed market conditions post-Brexit. We are encouraging tenants to look into diversification and will support viable proposals. There are opportunities to diversify but not on the scale that an owner/occupier would be able to undertake. For example diversifying into poultry requires a large capital investment and significant amount of land to spread manure which may not be available on County Farms. However, smaller scale diversification such as alternative cropping could be considered.

Why does the report not mention Brexit as a challenge?

Brexit does not feature in the report because the impact is unknown. The service are positively encouraging diversification and this is promoted in newsletters to tenants.

Brexit may be an opportunity as well as a threat. We will add this to the policy to cover both aspects.

Why does the authority have a Farms Estate? It appears the aim is to support new entrants but there is no evidence of how applicants move through to allow for starter farms to be regularly available. It appears that 140 are supported by an asset worth £98million. Is this effective use of Council resources when the authority is facing the current financial challenges?

Farming is a long term business- it take years to rear an animal. This context needs to be appreciated when examining progression. The new regime about the length of tenancies have not yet been tested.

A number of services provided by the Council are provided at a high cost (for example libraries) and are not about making a profit. In this case the farms estate covers its own costs and contributes a revenue surplus to the Council. The asset is also contributing to capital- £16m over the last few years.

It appears the report is recommending a continuation of the status quo.

The report is not recommending the continuation of the status quo. An earlier report recommended splitting the holding into Core for retention and Non-Core for disposal. Many of the non-Core holdings have been disposed of and yielded £16million. Continued disposals to meet an annual target of £1m sales will eat into the core estate and damage its long-term viability. Any asset should be kept sustainable. The Estate delivers £1million gross income to the Council and has been delivering £1million capital receipts.

When Capital recharges are taken into account the Estate is making a loss.

Capital recharges are an accountancy tool and this money remains with the authority.

Welsh Government have given authorities a three year extension to use capital receipts for elements of transformation projects. The asset is worth a considerable sum (£48 million and £98million are quoted in the report) and a slightly different approach may be able to better contribute to the Council's financial position. A full sale would not be recommended as it would not realise the full value but a managed approach may be able to contribute £3-5million over three years. If done appropriately it should not cause the collapse of the Estate.

The disadvantage of this approach would be a loss of revenue income from the remainder of the Estate which will add to the Council's savings burden.

The ages profile of tenants on starter farms shows a number of tenants over the age of 45 which is not understood to be the purpose of a starter farm. Are these tenants intending to move on?

The policy on renewal is a starter farm tenancy is granted for 8 years with a further 8 years available. After which no more tenancies will be granted. This policy was introduced in 2012 and has not been enforced yet. Progression tenancies are granted for 12 years with a further 8 years available. There are few opportunities in the private sector for these type of tenancy.

Is this issue being scrutinised dispassionately or is emotion and tradition playing a role in determining the recommendations. Has this been looked at from a financial perspective?

The farms make a surplus revenue income as well as contributing to capital receipts.

In 2015 it was identified that £4million urgent repairs were needed. Some work has been undertaken but the backlog is increasing. What plans are there to tackle this backlog?

Cabinet have provided £500,000 a year to tackle the backlog. The figure of £4million was based on estimates and did not include professional fees. Previously the service had kept a higher percentage of the capital receipts but retention of 10% (i.e. currently £100,000) is insufficient.

It appears that a large amount is being spent on contract liabilities. Is this because the Council is not investing in the Estate?

Tenants run their own businesses and if they have invested in the property they are entitled to compensation when they move on. It is standard industry practice for tenants to invest in equipment and infrastructure.

What steps are taken to maximise the asset value?

When a property is declared surplus it is offered firstly internally and is then progressed by the Property disposals team. Planning permission is sought on some plots of land which could increase the value from £15-20k/ac to £150k/ac. Four sites are pending but this is affected by the lack of development activity locally.

The Portfolio Holder for Finance observed that the asset value of the estate had increased over time and this should be taken into account when calculating the return on investment. The authority faces significant challenges and has a £100 million capital investment programme this year which will be funded from receipts and borrowing. Permission has been granted to use capital receipts for three years which could be used to support the programme. The estate could contribute significantly without affecting the core business of the estate. The holdings are of a size appropriate for a young farmer to build a business.

The Portfolio Holder for County Farms cautioned against selling off so much of the estate that it was only appropriate to dispose of the remainder citing Herefordshire which disposed of the remaining 4,000ac. The opportunities to use redundant farm buildings for tourism or residential purposes should be pursued. The core role of the estate is to give an opportunity for farm businesses to start

Outcome

- **A report would be prepared detailing the Committee's observations on the new Policy – this would be circulated for Member's comments prior to it being submitted to Cabinet**

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| 6. | CHAIR'S BRIEFING |
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There was no briefing from the Chair.

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| 7. | WORK PROGRAMME |
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The next meeting of the Learning, Skills and Economy Committee would take place on the 22nd August 2018 to discuss Home to School Transport and Education updates on Additional Learning Needs Review and Virtual Learning.

County Councillor D R Jones