



County Farm Estate Delivery Plan 2018

Powys County Council



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Foreword by Cllr Rosemarie Harris, Leader of the Council

In a time of continued economic uncertainty, the role and purpose of the County Farm Estate remains important: land and farm prices continue to remain beyond the reach of most new entrants to the industry, and unless portfolios such as the Council's estate are retained and improved, the ability of younger generations to enter the agricultural industry will be limited and in most cases (unless the entrant is a natural successor to a family farm) probably impossible. Retention and investing in the County Farm Estate therefore offers support to one of the largest industries in Wales – agriculture - and provides the opportunities that many of our future farmers and food producers need to get on the ladder of establishing their own farm businesses, with further opportunities to progress to larger farms either within the portfolio or in the private sector. It is essential for the success of our rural communities that these links are maintained and that this important function is preserved into the future.

The Council continues to face year on year real-term funding cuts in its Welsh Government budgetary settlements. It therefore remains essential that the Council manages its agricultural estate prudently, efficiently, and professionally. As with any property asset, judicious investment will be required to ensure the portfolio continues to both meet the requirements of Service users and generate a financial return to the Council.

One of the key issues considered as part of this review of the Plan is whether the previous strategy of 'progressive rationalisation' remains appropriate and in the interests of both the Estate and the wider County Council. That strategy has significantly changed the structure of the Estate but it must be recognised that rationalisation cannot continue indefinitely- the long term sustainability of the Estate relies on its physical integrity being maintained.

I therefore welcome this revision of the "Farm Estate Delivery Plan", which continues to provide structure and promotes good practice for the future management of the County Farm Estate. It replaces the previous Farm Estate Delivery Plan of 2015.

Whilst the County Farm Estate is seen by many as non-core Council business, I would remind everyone this is an area guided by legislation and is a Service which I strongly believe to be important in such a rural area as Powys. It will offer opportunities for many people who wish to enter, and progress in, the farming industry but who would otherwise be unable to do so in their own right.

The Farms Estate Estate Delivery Plan is part of a suite of documents and should be read in conjunction with these:

Vision 2025	Is our key corporate strategy document. It sets out our vision and what we should all be aiming to achieve.
Strategic Asset Management Plan (StAMP)	Overarching policy for dealing with our assets. It reduces risk and liability and supports Vision 2025. This contains the: <ul style="list-style-type: none"> • Farms Estate Delivery Plan (FEDP) • Commercial Estate Delivery Plan (CEDP) • Service Asset Management Plans (SAMP) which detail the services view of its property and land holdings.
Corporate Asset Policy (CAP)	The framework within which the Council operates its property on a day-to day basis.
Management Systems	Compliance Management System Asbestos Management System Farm Business Tenancy - County Farms re-letting strategy covering tenancy term and renewals (Cabinet Paper 2011)

1. Introduction

The FEDP 2015 focussed on the continued delivery of Estate rationalisation which has remained the overarching management strategy since the first comprehensive review of the Estate in 1999/2000. In that time the rationalisation process has generated £16m in capital receipts.

Whilst sales have obviously reduced the number of farms in the portfolio, to-date this has not been at the cost of reduced revenue income: through the retention of most of the original acreage of the sold properties, and adding that to existing holdings the Portfolio has generally sustained its revenue income, whilst at the same time helping to make those retained holdings more commercially and operationally viable in the prevailing farming climate.

Estate rationalisation has been driven by a desire to create larger farm units and a requirement to generate capital, with target receipts of £1m per annum, to fund Corporate priorities, in particular the 21st Century Schools programme. The Estate cannot generate capital receipts indefinitely with compromising its future sustainability and ability to generate revenue which must underpin its long term viability.

In overall terms, the Estate currently now extends to around 11,250 acres, but whereas in 2005 it comprised 188 tenancies, there are now 140 let equipped farms with 30 secondary lettings. Of the equipped farms, 97 (69%) are now let under fixed term Farm Business Tenancies with terms of either 8 years (Starter farms), or 12 years (Progression farms). The remaining farms are let under older Agricultural Holding Acts legislation which generally offers the tenant lifetime security of tenure.

A comprehensive condition assessment of buildings and infrastructure on the Estate, completed in 2015, identified urgent liabilities of £4.5m. A comprehensive programme has been underway since 2016 to address these issues within the budget that has been allocated for this work (£500k per year). It is critical that these liabilities are addressed in a sustainable fashion so that the Estate may continue to fulfil its operational function whilst maintaining and enhancing its financial performance and ensuring that risk to the Authority is minimised.

In our last policy we had a target for income generation of 1.3% of the existing use value of the estate (this figure from industry analysis undertaken by Strutt & Parker and Savills). We are now achieving 1.7%. As stated in our last policy, it is anticipated that when other income streams are taken into consideration such as diversification activity and targeted sales of specific sites, income generation could exceed 2% of existing use value and we will continue to work towards this

2. The Purpose of the Farm Estate Delivery Plan

The County Farm Estate is held under the provisions of Part 3 of the Agriculture Act 1970 which states that the Authority should make it its general aim to provide opportunities for persons to be farmers on their own account by letting holdings to them. The Estate is therefore held as an operational asset rather than an investment vehicle, where properties are held solely for capital or revenue gain. Consequently, whilst these types of gain are important, they should not be seen as the main driver behind the retention of the Estate.

The letting of County Council starter farms is largely unique in offering a route into farming for those unable to inherit a family farm or without the necessary capital to acquire one. The high capital cost of establishment, the scarcity of equipped farms to rent in the private sector and the low returns generated by conventional farming form a matrix of obstacles facing new entrants to farming that is rarely encountered in other industries.

The Estate gives the Authority a direct link to one of the largest industrial sectors in Powys and an opportunity to introduce new vitality to it.

Whilst the impact from the Estate in the overall context of service delivery in Powys may be seen as modest, as the service only provides active employment (and homes) for around 140 families of Powys, it plays an important role in community cohesion, skill development and the retention of young people who might otherwise leave the area. Indeed the Estate retains the ability to attract economically active young people to Powys which is of course an increasingly rare attribute.

As with all its assets the Council must ensure that the Farm Estate is used as effectively as possible, and also that it continues to offer young entrants an opportunity to enter the agricultural industry and develop their businesses.

Whilst the County Farm Estate provides an opportunity for new entrants, the use of modern Farm Business Tenancies helps to ensure that these opportunities are available to as large a group as possible, and the Tenancy process is managed to ensure that upward mobility of tenants is encouraged as much as is possible, with options for lease renewal and progression allowing a new FBT tenant to remain on the Council Estate for up to 36 years. This process (which recognises that returns from farming investments can often only be maximised over a relatively long-term) sets down clearly the length of tenancy available to each new entrant, with the ultimate outcome being reached when the most successful tenants move into the private sector, either as tenants or in some cases farm owners. The availability of larger farms on the Estate is crucial in allowing progressive tenants to genuinely compete for the commercial farm units that are generally offered to let by private landowners.

The length of tenure offered by the Estate may be perceived to limit the number of 'starter farm' opportunities available to new entrants. However, there is a balance to be struck between maximising the number of starter farm lettings offered by the Estate, and providing opportunities for tenants to grow their business to the extent such that they are able to make genuinely competitive applications for the very limited number of opportunities that are currently becoming available in the private-rented sector.

The Farm Estate Delivery Plan (FEDP) will provide a further tool to the Council to review, challenge and change its behaviours and the management of its agricultural estate.

The FEDP will seek to support and lay out how we will meet our vision for the County Farm Estate as set out below: -

FARMS VISION

“To provide a good quality, efficient farm estate that encourages new entrants into the farming industry and enables progression which support the Powys economy.”

3. Mechanisms of the Farm Estate Delivery Plan (FEDP)

The FEDP will seek to use a range of tools to identify a clear focus and a framework within which Powys will operate its Estate safely and efficiently. The Corporate Property team will be responsible for setting targets via their Rationalisation Strategy and for meeting those targets.

A - Financial Management

Capital Bids – The Farm Estate is currently able to submit bids for corporate capital funding, along with all other service areas of the County Council as part of the Financial Resource Model process.

Capital spend is supported by revenue and with decreasing levels of funding now available to the Council, it has become increasingly difficult to identify monies. This poses a risk to the Council.

Remedial funds – The Authority holds two types of Remedial funds, each having clear application criteria. These funds support services where Compliance Management (servicing, testing and inspection) works have identified significant failure and urgent repairs or upgrading works have to be undertaken.

Receipts – In the case of the County Farm Estate, 90% of all capital receipts are currently treated as corporate resources and allocated to central reserves, with the remaining 10% ring-fenced to the Service for reinvestment.

B – Other Initiatives

The Council will also employ other approaches to help it maximise the efficient and effective operation of its Estate. Where appropriate we will work in partnership with tenants to maximise potential benefits from Government industry support and funding programmes.

4. Application Dependencies

4.1 Application

The Farm Estate Delivery Plan principally applies to the Place Directorate, being the Directorate in which the Service sits. It is considered it will have only limited impact on each of the other Directorates – People and Finance. However, the capital receipts and revenue income generated from the Estate contributes to the entire Council.

Strategy	Outcomes or dependencies
<p>1. The County Farm Estate will continue to provide opportunities to new entrants into the agricultural industry and support them in their progression to larger holdings.</p>	<ul style="list-style-type: none"> • Appropriate movement of tenants in all sectors – both Council and Private
<p>2. The Estate will provide efficient, good quality farms that serve the needs of both new entrants and progression tenants.</p>	<ul style="list-style-type: none"> • Appropriate levels of financial support being provided by Cabinet • Good basic range of farm buildings to enable a business to establish and grow, without additional heavy investment , thereby curtailing end of tenancy compensation claims and securing enhanced rental income.
<p>3. We will identify and provide rationalisation opportunities through appropriate and considered Estate amalgamation to provide more viable farms and provide capital receipts/ service benefits through a strategic disposals programme and a continued income stream for the Medium Term Financial Plan.</p>	<ul style="list-style-type: none"> • Member support for sale of identified rationalisation opportunities • Movement of tenants across the portfolio • “Live” disposals programme • Improved Estate Holding • Identification of Programme of works
<p>4. The 10% funding from capital receipts which the Estate can retain and revenue income will be used to upgrade and improve the quality of retained holdings.</p>	<ul style="list-style-type: none"> • Member and Cabinet support for capital improvement programme • Implementation of Programme of Works • Improved rental values • Reduced liability

4.2 How will we achieve this?

WHAT WE'LL DO

1. Offer genuine good quality commercial opportunities to new entrants to agriculture.
2. Offer good quality opportunities for progression and business growth through the application of sound Estate Management principles, lease duration and renewals policy.
3. Work with tenants to explore diversification opportunities which complement the primary agricultural purpose of the letting.
4. Maintain & enhance revenue income.
5. Facilitate provision of retirement accommodation and / or opportunities for AHA tenants, thereby freeing up more letting opportunities for new entrants.
6. Continually review the Estate, investing in those farms that contribute to a viable business operation to manage risk and add value to the portfolio.
7. Review potential disposals to ensure the long-term integrity and viability of the Estate is not compromised.
8. Work with colleagues in Regeneration, Housing and Welsh Government to promote business opportunities and awareness to our Tenant Farmers.
9. Develop a costed programme of works to tackle identified maintenance issues.
10. Identify potential development opportunities to maximise capital income or otherwise support Council services for the corporate benefit of the Council.
11. Seek to maximise income through diversification opportunities and commercial management of the Woodland Estate and renewable energy initiatives.
12. Implement and review our tenant liaison to ensure that all available opportunities are communicated, that feedback from tenants is recorded and actioned where appropriate, and that a genuine partnership is developed in the future management of the Estate

HOW WE'LL DO IT

A. Identify a core estate of farm units both at starter and progression level by reference to the following matrix of considerations:

<ul style="list-style-type: none">• The extent to which the property, if re-let, will offer a genuine commercial opportunity to a progressive new entrant to farming.
<ul style="list-style-type: none">• The condition of the property and the extent of any current and future maintenance liabilities.
<ul style="list-style-type: none">• Whether the sale of a house and amalgamation of retained land with an adjoining farm will allow the creation of a larger more commercial farm unit, and possibly a progression opportunity for tenants of smaller farms.
<ul style="list-style-type: none">• The availability of Farms Estate holdings in the area and the level of demand for new lettings locally.

B. Invest in the core Estate to ensure all core Estate holdings are fit for purpose and compliant with statutory standards.

C. Identify non-core assets for future disposal or service use when appropriate to shape the Estate to fit our future requirements.

D. Maintain rental income through the letting of Holdings with good quality residential accommodation and adequate fixed equipment.

E. Evaluate opportunities to enhance income streams through renewable energy schemes and the use of the woodland estate.

F. Adopt asset management policies which support regeneration and reduce risk to the Authority.

5.1 The Authority will be faced with many challenges when seeking to deliver this plan. The key analysis is outlined below in order to identify at an early stage those areas that require attention or opportunities that need to be taken.

SWOT Analysis:

Strengths	Weakness
<ul style="list-style-type: none"> • Unique opportunities for starter farmers to grow their businesses. • Continued and ready demand for starter and progression farm tenancies. • The County Farm Estate is still relevant and remains true to its original rationale of providing opportunities for new entrants • Adds value to Powys County Council's property portfolio. • The Estate continues to deliver a revenue trading surplus with scope to increase revenue income in the short term. • Secures capital value appreciation. • Enshrined in legislation, thereby providing a measure of safeguard. • Beneficial to the wider agricultural industry of Wales. • Provides opportunities to develop renewable energy initiatives • Support of Regeneration and Housing colleagues 	<ul style="list-style-type: none"> • Lack of positive investment over many years, (revenue and capital) resulting in a generally low standard of condition – both in respect of the tenants' houses and farm buildings. • Most holdings are located in Montgomeryshire – limited opportunity in Brecon and Radnorshire. • Security of Tenure of older AHA tenants limiting opportunities for new entrants. • Inconsistent political interest, involvement, support, and policy determination in the past. • Largely historic lack of mobility within and off the estate, thereby frustrating ability of able and ambitious tenants to grow their farming businesses
Opportunities	Threats
<ul style="list-style-type: none"> • Exploitation of renewable energy development initiatives. • Service modernisation • Promotion of local produce to local markets. • Forging closer linkages with RDP and YES schemes to lever in additional funding sources for the direct benefit of individual tenants • Diversification opportunities – not just for Tenants (e.g. redundant buildings = craft workshops / holiday lettings?) • Opportunity to identify land within the Estate suitable for valuable development – e.g. residential development. • Best practice agreements with other farm estate authorities to encourage movement. • To review and endorse the retention of the Farm Estate in times of need, to maximise income generation, promote strong communities etc • Brexit- there may be opportunities for funding to research diversification options and bring added value enterprises onto the Estate 	<ul style="list-style-type: none"> • Increasing financial pressures on L.A. • Vulnerability as a discretionary Service. • Urgent repairs of some £3.8m remain outstanding amid a continuing lack of funding to improve essential estate infrastructure exposing the Authority to risk. • Lack of political awareness and appreciation of Service Rationale and future direction • Decisions of other authorities to dispose of their Farm Estates – precedent impact • Geography – lack of mobility • BREXIT- the precise implications for farming industry of withdrawal from the EU remain unclear but the viability of upland & hill livestock-rearing units in particular appears most at risk.

5.2 Investment Portfolio

Although the primary role of the Farm Estate is as an operational portfolio, with its key objective being to introduce entrants to the agricultural industry, it is recognised the Estate needs to be self-financing, and it therefore sits within the commercial property portfolio. Based upon current market evidence, it is proposed a target for income generation of 1.3% of the existing use value of the estate will be established (this figure from industry analysis undertaken by Strutt & Parker and Savills).

6. ACTION PLAN

6.1 The following 'live' appendices will be used:

Live Documents intended for General Internal Publication:

1. Action Plan – summary of Farm Estate Rationalisation proposals, including not only identified sales, but also issues such as retirement accommodation, development opportunities, and farm diversification schemes.
2. Trackers – used to monitor progress of all workstreams identified within the Farms Estate Delivery Plan
3. Disposal List – Assets declared and accepted as surplus

The Action Plan outlines which holdings it is proposed will be retained and (where possible through amalgamation) enlarged through the process of Farm Estate rationalisation. By implication, the Action Plan will also identify those holdings which can be disposed of, further reducing the Landlord liability of property maintenance issues, whilst generating capital receipts for reinvestment across the authority and within the Farm Estate.

As indicated above, the Action Plan will also identify those holdings where opportunities exist to increase revenue by encouraging the older (over 70 years of age) tenants to retire and move into suitable retirement accommodation thereby freeing up farms for new entrants or progression tenants, identify potential capital receipts through targeted land sales for development, and diversification opportunities such as tourism and craft workshops as well as the more obvious residential conversion opportunities.

As these appendices will be 'live' they are not attached or published with this document. Therefore, any officer seeking the latest position will need to contact the following:

Contact	Phone	E-mail
<u>Commercial Property Manager</u> - David Micah	01597 82 6054	david.micah@powys.gov.uk
<u>Estate Manager</u> - Hugo Van-Rees	01686 61 1812	hugo.van-rees@powys.gov.uk

The Action Plan, Tracker and Disposals List will be maintained at least quarterly or as circumstances prove necessary.