

## Rural Development Sub-Committee

RDC(3)-10-10 Paper 3

### Inquiry into the Provision of Local Authority Farms : Evidence from NFU Cymru

#### Introduction

1. NFU Cymru represents an estimated 21,000 farmers, managers and partners in agricultural businesses in Wales. A significant proportion of these would be tenants and a number would be County Council leaseholders throughout Wales.

We are therefore very pleased to be given the opportunity to comment on the Local Authority Farm network in Wales and how they should be developed to secure their long term future.

#### Background

2. Our starting point is that Farms owned and managed by Local Authorities in Wales **are an important, irreplaceable strategic national asset, that need to be retained.**

3. They have their origins in Central government policy of the early 20<sup>th</sup> century when there was a major concern about the decline in agriculture employment. Therefore they are just as relevant today to prevent the exodus of farmers, particularly young farmers out of our rural areas.

4. The 1970 Agriculture Act embodied the further evolution of the holdings as units to provide a much wider franchise for individuals to farm in their own right. In 1984 the House of Lords in debating what would become the 1984 Agricultural Holdings Act, explained the role these holdings played as starter units which allowed tenants to build up much needed capital and move onto larger holdings elsewhere either within or outside the council estates.

6. NFU Cymru recognises that local authorities have very competing demands on their scarce resources as society's link with agriculture become weaker. However, the number of applicants trying for vacant tenancies is evidence that there are still many looking to get into farming but who lack the capital to purchase land or to take up larger tenancies offered in the private sector. Entrepreneurs will succeed provided entry opportunities exist. We want and are sure rural councils want such persons to see a future for themselves in rural areas of Wales.

#### Statutory objectives

7. The rules for administration of statutory smallholdings are set out in Part 111 of the Agriculture Act 1970. Councils in their role of statutory smallholding authorities have a power under legislation to provide farms to those who wish to be farmers in their own right. This stems from Section 39 of the 1970 Act which reads:

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

8. To meet the objective set out in Section 39 of the 1970 Act, smallholdings authorities need to offer opportunities to new entrants and to work to sustain existing tenants in their farming career. In the long term this could be on either the local authority estate or in the private sector. It is not sufficient to only offer opportunities for new entrants to come into the industry if they cannot then make the transition on to larger holdings in the in the public or private sectors. A much more integrated approach needs to be taken between Local Authorities and the private sector to ensure transition by working with organisations such as Farming Connect to increase the opportunities available for Local Authority tenants. More active management within estates could help create business development opportunities for tenants both inside and outside Local Authority ownership. Welsh Assembly Government would be well placed through the auspices of Farming Connect to achieve this.

### **Disposal of County Farms**

9. NFU Cymru understands the financial pressures faced by local authorities in managing their various commitments and statutory responsibilities. This has led to a number considering a programme of farm disposals. However this threatens to undermine the objectives of county farms. Research has shown that county farms are the principal route into farming for new entrants<sup>1</sup>. If the decline in the number and area of county farms continues this will be a major blow for the future of the agricultural industry.

10. New entrants are essential for any industry, however, the capital requirements of agriculture make farming one of the most difficult industries to enter. This is particularly true today. Tenancies offer a very useful and effective way of bringing in new entrants to agriculture and sustaining businesses into the long term since both the capital requirements and risk are shared jointly between landlord and tenant in long-term binding agreements. The County Council farm structure has, in the past, provided a major contribution to this and should be allowed to retain the capacity to continue to do so in the future.

11. County Councils and Unitary Authorities should view their land holdings as an entry point into agriculture for new entrants and as a spring board to progress to larger units. Every effort should be made to encourage progression.

12. In responding to the 2003 report of the Tenancy Reform Industry Group (TRIG)<sup>2</sup> the Westminster Government said that local authorities should continue to follow the provisions of the Agriculture Act 1970 and that it shared the concerns of TRIG about the potential adverse, long term impact that continuing sales of County Council Smallholdings will have on farming and the rural economy.

<sup>1</sup> An Economic Evaluation of the 1995 Agricultural Tenancies Act, University of Plymouth, April 2002.

<sup>2</sup> Government Response to the Report of the Tenancy Reform Industry Group (TRIG), DEFRA, 15 December 2003.

### **Strategic Importance**

13. County farm estates are clearly owned by individual County Councils. They are however a very important strategic national asset and as such there should be a greater recognition of this in their management on an all Wales basis supported where appropriate by the Welsh

Assembly Government. One area the Assembly Government would help is to identify good practice to seek better uniformity between authorities in the management of this asset.

14. One of the recommendations contained in the report of the Tenancy Reform Industry Group of June 2003<sup>3</sup> was that there would be merit in investigating the potential for greater networking and collaboration in the management of County Council Smallholding Estates. In responding to the report, the Westminster Government agreed that County Council Smallholdings had an important role to play in providing a gateway through which able and experienced people can start a farming career which might otherwise be denied them. In view of this the Westminster Government fully supported the idea of greater networking and collaboration in the management of County Council smallholdings. However there is little evidence to date of progress on this suggestion but now with this inquiry there is an opportunity for Welsh Assembly Government to move forward with this in Wales and become more involved than perhaps they have in the past.

15. The vision should be to create a stable, long-term framework for the profitable management of County Council farms. The following objectives are essential components in that process:

- To ensure that County Council farms continue to provide their principle function of creating opportunities for individuals to be farmers on their own account.
- To provide a more integrated management system for all County Council Smallholding estates.
- To reduce global costs of administration.
- To provide flexibility to local authorities in managing their asset portfolio.

<sup>3</sup>Tenancy Industry Reform Group final report DEFRA 16.5.03

## **Development Opportunities**

16. Local Authorities can of course realise significant sums through the sale of individual pieces of land with development potential. Provided the current tenants businesses' are not compromised, this can greatly benefit the income of County Councils whilst maintaining the bulk of the agricultural estate. However NFU Cymru would only support this if the money is ring fenced to benefit other farm houses and buildings on the estate.

17. All Local Authorities should look to take a more long term, strategic and patient approach to disposals which will enable maximum benefit with minimum disruption. Local Authorities should carry out a strategic review of their estates as Anglesey Council has done for example to assist in policy discussions to be taken on retention and disposal over a longer time period. Local Authorities in Wales are well placed to identify future development opportunities and should consider acquiring land as opportunities arise. Active asset management could be a real benefit to create entry points for new entrants. The principle objectives of the estate outlined earlier must however be paramount.

## **Wider Benefits**

18. Since the 1970 Agriculture Act farming has moved on and so must County Council tenancies. A wide range of benefits would be provided on the estate with the right incentives and opportunities for the tenants. These would include renewable energy, waste utilisation, local food, reconnecting with the urban population, planning policies, green belt management and managing flood risk. In the requirements for Councils to be carbon neutral or reduce their carbon footprint a well managed farm estate would be a significant help in achieving this. Once land is sold this opportunity is lost forever. County Councils are in a good position to get a more strategic approach between departments to realise potential benefits which will help all residents in the county.

## **Length of Tenancies**

19. While owner occupier farms have benefited from rises in land values to land investment tenants in general do not have this luxury – without land their asset base is smaller. The short terms sometimes offered on County Council Estates do nothing to encourage or facilitate long term investment by either the tenant or indeed the landlord.

20. The Farm Business Tenancy reforms does allow the opportunity to fix reasonably long leases whilst at the same time allowing the landlord to be able to plan his estate in advance as a whole. He will know when parcels of land and farmhouses will become available to new tenants. County Councils will of course need to respect any succession tenancies they have still remaining. The tenant on the other hand will find it easier to plan his business decisions if he knows that he will have long term security. The right balance needs to be found to ensure some certainty for the tenant whilst maintaining another objective of council holdings namely progression. Annual renewal of tenancies will not achieve this. The new Glastir scheme requires a minimum of 5 years to allow the land to be entered into this environmental scheme.

21. Also there needs to be a commitment from landlords to pay a proper value for tenant improvements at the end of the tenancy. In this way a real partnership will develop between the landlord and the tenant to maximise the value of the asset to avoid it falling into a state of disrepair.

## **Rationale for Council Farm Estates**

22. In 2009 the Association of Chief Estate Surveyors (ACES) updated the rationale for the Farms Estate summarising the benefits already outlined in the report and in line with the adoption of 5 Good Estate Management Principles. NFU Cymru would support the findings of this report outlined below.

## ***Working for Agriculture***

- A means of entry into farming for those who may not otherwise have the opportunity to farm on their own account;
- The potential for tenants to establish and develop viable business enterprises, enabling internal progression to larger Council Farms and advancement from the Estate to bigger holdings on privately or institutionally owned let estates;
- A means of supporting the tenanted sector, boosted by the flexibility of opportunities offered by agricultural tenure legislation;
- A tangible means of meeting the aspirations of the young farming community and agricultural industry;

## ***Working for the rural economy***

- A valuable source of rural employment opportunities on small family farms, often in remote locations;
- An opportunity to contribute to the wider economic well being and development of the countryside, including local food products for local markets;

## ***Working for the wider community***

- A direct stake in the countryside for Councils enabling links to be made between the local farming industry, the rural economy and the wider community through school visits, open days and guided walks;

## ***Working for the environment***

- An opportunity to implement best practice in rural estate and sustainable countryside management and stewardship: e.g. Glastir;
- A wealth of traditional landscape features such as stone walls, ditches, hedgerows and farm buildings which are more likely to be retained on small family farms;
- The opportunity for the implementation of positive strategies that address the challenges of climate change, such as wind farms, anaerobic digestion plants and other renewable energy sources.

## ***Working for the Council***

- A “bank” of potentially surplus development land arising from positive property reviews and estate rationalisations, providing a valuable source of capital for essential estate reinvestment, which assists rural economic regeneration and also provides finance for the provision of other Council services;
  - A potential land bank source of exception sites for affordable housing projects in rural areas;
- 

## **25. Conclusion**

- a. County Council smallholding estates are an important, strategic, national asset that should be retained.

- b. More effort should be made to support existing and future tenants on these estates to sustain their businesses either on the smallholding estates or in actually encouraging moves in the future into the private sector.
- c. There should be greater collaboration between individual County farm estates to help effective management.
- d. Local Authorities should seek to manage their disposals of land from estates in a more patient and thoughtful way to maximise revenue from development sales whilst not undermining the principle objectives of the estates. All of this development profit should be used to re-invest in the estate.
- e. Local authorities should pay a greater attention to the wider benefits derived from owning and managing their estates and should regard County Council Farms as a vital part of the wider regional economic strategy.