

Rural Development Sub-Committee

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Inquiry into the Provision of Local Authority Farms : Evidence from Tenant Farmers Association

Introduction

The agricultural units now owned and managed by around 14 local authorities in Wales (referred to as County Council Smallholdings) have their origins in central Government policy of the early 20th Century when there was a major concern about the decline in agricultural employment. This led onto a wish to provide farming opportunities for returning ex servicemen from the two world wars.

The 1970 Agriculture Act embodied the further evolution of the holdings as units to provide a much wider franchise of individuals with opportunities to farm in their own right. In 1984, the House of Lords, in debating what would become the 1984 Agricultural Holdings Act, emphasised the role of these holdings acting as “starter units” which would encourage tenants to move onto larger holdings elsewhere in due course. As a consequence of this, the concept of succession was excluded for these types of holdings.

The question now is what role these farms play in the early part of the 21st Century. Today’s challenges are very different to those of a century ago. Local authorities have many more competing demands on their scarce resources and society’s link with farming and agriculture has become significantly weaker as we have developed into an ever more urban-centric country. However, food production is still important as is the management of our countryside and there are still many looking to get into farming but who lack the capital to purchase land or to take on larger tenancies offered in the private sector to make their first step.

The TFA is concerned that in recent times there has been an unhealthy focus, in some local authorities, on the capital value of their farm estates which leads to calls for them to be sold to find resources for other challenges being faced in local communities.

The TFA believes that with a more strategic approach to their farm estates local authorities could benefit significantly in financial terms, continue to provide opportunities for those who want to farm in their own right and be a major driver for rural and wider economic development in their localities.

Size of the Estate in Wales

According to the official statistics, in Wales in 2009 14 local authorities owned and managed 17,705 hectares of agricultural land as statutory smallholdings¹. This land was made up of 651 equipped holdings and 201 bare land lettings. This compares with a total area of 16,618 hectares split between 634 equipped holdings and 228 bare land lettings 10 years before². Unlike the position in England where there has been a significant reduction in both the area of land held on smallholding estates and the number of holdings involved, it would appear that the combined estates in Wales have grown. However, whilst the statistics may be affected by non-reporting authorities it would seem safe to assume that the area of land let as smallholdings in Wales has remained fairly stable in recent times.

Meeting the Statutory Objective

The rules for administration of statutory smallholdings are set out within Part III of the Agriculture Act 1970. Councils in their role of statutory smallholding authorities have a duty 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 in their general aim to provide opportunities for persons to be farmers on their own account by letting holdings to them”.

In order to meet the objective set out in Section 39 of the 1970 Act, the TFA believes that those local authorities with a smallholdings estate have both to offer opportunities to new entrants and to work to sustain existing tenants in their farming career into the long term be that on the local authority estate or in the private sector. Research has shown that county farms are the principal route into farming for new entrants.³ However, it is not sufficient to merely oversee a conveyor belt approach where new entrants come on at one end and fall off at the other if they cannot make the transition to the private sector. Either smallholdings authorities need to put resources into ensuring that their tenants can make the transition to the private sector or, if this is not possible, to look at extending existing tenancies and providing longer term tenancies for the security of and investment of those granted initial opportunities.

It is difficult to gain entry into any sector of business or industry. However, with the capital requirements of agriculture, it is one of the most difficult industries to enter. 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

¹ Council Farms Statistics, 2008-09 Actuals, Chartered Institute of Public Finance and Accountancy, February 2010

² County Farms/Rural Estate Statistics 1998-99 Actuals, Chartered Institute of Public Finance and Accountancy, 2000.

³ An Economic Evaluation of the 1995 Agricultural Tenancies Act, University of Plymouth, April 2002.

landlord and tenant in ideally 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.

In responding to the 2003 report of the Tenancy Reform Industry Group (TRIG)⁴ the then 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 continuing sales of County Council Smallholdings in England would have on farming and the rural economy and agreed that further sales should be discouraged.

The TFA understands the financial pressures faced by local authorities in managing their various commitments which has led to a number of them to consider a programme of farm disposals. However a move to disposal would both threaten to undermine the objective of county farms as stated above and deny council tax payers of an important asset financially and in terms of non-market benefits.

The Need for a National Review of the Strategic Importance of County Farm Estates.

The TFA believes that County Council smallholding estates should be viewed as national rather than local assets and as such there should be a greater degree of national co-ordination in their management. The TFA is greatly concerned about the ad hoc nature of policy towards County farms up and down the country. Some County Councils will run their estates extremely well and others will perform not so well. Some County Councils are considering policies for disposal and others policies of retention. For such an important asset in the landlord/tenant system a more co-ordinated approach is necessary.

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

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

⁴ Government Response to the Report of the Tenancy Reform Industry Group (TRIG), DEFRA, 15 December 2003.

One of the recommendations contained in the report of the Tenancy Reform Industry Group of June 2003⁵ was that there would be merit in investigating the potential for greater networking and collaboration in the management of County Council Smallholding Estates. In the responding to the report, the then 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 then Government fully supported the idea of greater networking and collaboration in the management of County Council smallholdings. However, apart from further discussions nothing has been done to take this forward actively. The TFA believes that this is a major opportunity for progress which must not be squandered.

Development Opportunities

The TFA recognises that County Councils can realise significant sums through the sale of individual farms or pieces of land with development potential. The TFA does not oppose such sales as it recognises the benefit of the income to County Councils whilst maintaining (and possibility enhancing) the bulk of the agricultural estate.

A good example of where this has occurred in England has been the Gloucestershire County Council Estate. In the 36 years since Local Government Reorganisation in 1974, Gloucestershire County Council has raised around £50 million through careful, patient and planned disposals of land for development. The bulk of this has been raised over the last 25 years. It has also secured a roughly similar sum by way of Section 106 (planning gain) benefits from these sales from essential infrastructural investment such as new roads and schools which would otherwise have secured a commensurate additional capital receipt sum. At the same time the Council has invested about £10 million back into its smallholding estate by way of modernisation and purchase of additional land to the extent that its total land holding on its smallholding estate has hardly changed at all.

Once farms are sold they are gone forever. There have been numerous occasions where the development benefit has been taken by the purchaser of the farm. The TFA would advocate that all local authorities look to take a more long term, strategic and patient approach to disposals which will enable maximum benefit with minimum disruption. This is something which the TFA believes should be coordinated and encouraged at an all Wales level.

Wider Benefits

Ownership of Country farms also assists local authorities directly in meeting wider objectives in relation to countryside and environmental issues, access to the countryside, learning outside the classroom, planning policies, greenbelt management and assisting in the management flood risk. Without the retention of the land bank, these benefits will be lost.

⁵ Tenancy Reform Industry Group (TRIG), Final Report, DEFRA, 16 May 2003.

Principal Conclusions

1. County Council smallholding estates are an important, strategic, national asset that should be retained.
2. 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 the future, in the private sector.
3. There should be greater collaboration between individual County farm estates with help from a national level.
4. Local Authorities should seek to manage disposals of land from smallholding estates within the context of a properly thought through asset management plan in order to maximise revenue from development sales whilst not undermining the principal objectives of the estates. Some of this development profit should be used to re-invest in the smallholdings estate.
5. Local authorities should pay greater attention to the wider benefits derived from owning and managing their smallholdings estates.

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