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## **Economy and Growth Committee**

**12 September 2023**

### **Farms Policy**

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**Report of: Peter Skates Interim Executive Director Place**

**Report Reference No: EG/16/23-24**

**Ward: ALL**

#### **Purpose of Report**

- 1 The purpose of this report is to commence the process to refresh the policy for the council's farms estate.
- 2 It sets out some general options to consider in this process and sets out the approach that the service suggests that it could take in developing the policy.
- 3 Following this process, it is intended to bring a decision report to the Committee, so it can set the policy for the estate going forward.
- 4 Taking this approach allows the Council to be open around how it develops its policies.

#### **Executive Summary**

- 5 The Council owns c4,800 acres of farmland set out in 16 clusters (called estates) across the borough, broken into 49 farms. This non statutory service has been delivered in this way for over 100 years.
- 6 The elemental reason to hold a farms estate is to allow new entrants into the farming industry. As part of the fabric of farming in the borough for over 100 years it also gives the Council some additional influence it would not have if it were not a landowner in the rural community.
- 7 The current policy was set in 2012 and reviewed in 2018. The current policy sees the Council offer modern tenancies (usually 15 years) to new

entrants on larger, more economic, holdings. To achieve this the estate is being reorganised as older types of tenancy, typically retirement or lifetime tenancies, expire on an opportunistic basis. Over time the number of lifetime tenancies has reduced to about 33% by area of the estate. As part of this work, some farm buildings and ancillary land are made surplus and released from the estate.

- 8 Although the current approach was reviewed in 2018, confirming its suitability, there have been several changes that may impact the Council's approach to its farm landholdings since this time. Some of these include:
- (a) The way Central Government approaches farming continues to emerge,
  - (b) The Council has pledged to be carbon neutral by 2025 and to use its influence to assist the Borough to be carbon neutral by 2045.
  - (c) The Council finds itself in a fundamentally different economic position that it has been in the past with increasing pressures on its capital and revenue budgets.
- 9 Therefore, the time is right to consider the Council's approach to its farming estate.

#### RECOMMENDATIONS

The Economy and Growth Committee is recommended to:

1. Approve that a review of the Farms Policy is undertaken and engagement with key stakeholders is progressed.
2. Approve the setting up of a Member Advisory Group to give direction, receive evidence, and advise on the options and enable a draft revised policy for 2024/2025.
3. Note that a further report will be presented to Committee outline the outcome of the review and seeking endorsement to a new policy

## Background

- 10 The Farms Estate comprises 4,830 acres of land and associated property, predominantly leased out. Approximately 33% of the estate by area or 26 farms, is let within historic retirement or lifetime tenancies and approximately 63% by area of the estate, or 23 farms let with the more modern fixed termination date, with leases to tenants of usually 15 years. The estates generate a gross income of approx. £778k.
- 11 With a history of over 100 years, the service has remained remarkably true to its originating role and the Council's current policy position continues to support entrants into the farming requiring the tenants to manage land in a manner that balances economic and good environmental practice. The statutory basis on which the service is provided is not mandatory and the authority must therefore choose to provide same.
- 12 Tenancies have evolved to respond to Council objectives and whilst most continue to deliver farms that provide an example of good practice but there is still sizeable proportion that are occupied under older tenancies that are no longer consistent with modern practices and limited likelihood of change other than by natural movement over time.
- 13 Lack of supply remains one of the most significant hurdles for new entrants into the farming industry. The Council's 49 farms offer an opportunity for new entrants, or those developing their businesses within the estate to grow. Table 1 shows the number of new tenancies that have been granted since 2012.
- 14 It is clear from Table 1 that the number of tenancies terminated is greater than the number of tenancies granted. In large part this is due to the current policy where the Council is creating larger more economically sustainable holdings.
- 15 By its very nature farming and farm estate management is a long-term business. Although there are very low levels of turnover in the estate as shown in Table 1, in large part due to the longer-term nature of tenancies, farming and farm estate management, there are still successes with tenants moving within the estate, those establishing good businesses and some even moving onto larger farms in the private sector.

Table 1 Terminations and grants 2012 to 2023

Year	Number Of Tenancies Terminated	Number Of Tenancies Granted
2012 – 2013	2	0
2013 – 2014	0	0
2014 – 2015	5	0
2015 – 2016	4	1
2016 – 2017	8	4
2017 – 2018	4	3
2018 – 2019	9	3
2019 – 2020	0	0
2020 – 2021	3	0
2021 – 2022	0	1
2022 – 2023	1	1
<b>Total</b>	<b>36</b>	<b>13</b>

- 16 But as farm holdings increase in size, due to economic pressures and to deliver viability, the tension between viability and affordability and the associated risks increases. For some authorities, that has meant looking at bare land tenancies as an alternative. For others extending uses to cover rural business start-ups, equine and other recreational opportunities as the primary purpose. So how the assets can be used, what does constitute a valued opportunity that serves the Councils objectives clearly remains central to the desirable outcomes of any review.
- 17 The approved strategy to develop the service set in 2012 has been to maintain service provision and size but restructure the estate, reducing the number of farms as opportunities arise, so each individual holding is more capable of being farmed economically and respond to the environmental agenda, whilst increasing the number of larger units compared to small, mirroring farming in the wider market. This approach has, as predicted, released farmsteads for sale in the open market, generating capital receipts of over £16 million and the funding required to modernise the farms and some inward investment. Progress on this work is dependent on historic tenancies being surrendered to the Council at the natural end of those leases. Fundamentally those blocks have not changed and remain a frustration in evolving the service, but acknowledging those restrictions is key to developing realistic ambitions and considering other options.
- 18 As the Council has in the past acquired this land for this specific purpose, it acquired land of a reasonable quality with little non-productive woodland etc. Average land in Cheshire can be acquired for c£8,000 to c£10,000 per acre. To give a magnitude (but not a valuation) the Estate,

if vacant could be worth between £38m and £48m. The rate of return for the capital value is low in comparison to other investments, due to the costs of management as the number per unit area is comparatively high, security of tenure and the long-term nature associated with holding agricultural land and some Councils have chosen to dispose of their estates and reinvest their capital and resources into other core areas. But agricultural property has always provided the opportunity to contribute towards policy objectives, both practically and financially within the policy contexts of the day.

- 19 In recent years examples include adding financial value in disposals through planning gain, identifying land with potential strategic value and that can contribute to the Council's carbon neutrality agenda such as carbon sequestration through woodland creation and renewable energy including solar PV.
- 20 Historically government policy has provided support within the industry based around land areas used for production. The most recent iteration of support programmes does include elements linked to productivity but with a much greater emphasis on environmental sustainability e.g. The introduction of significant funding available for the creation of new woodland including 'Trees for Climate,' ELMS (Environmental Land Management Scheme) and the sustainable farming incentive etc. The evolving demands for land use that are arising from Biodiversity Net Gain, Nutrient Neutrality and the Local Nature Recovery Strategies and the concept of Natural Capital will all influence land use patterns and impact directly on how the Council may wish to use land assets. As an example, this brings into scope woodland creation on land that would traditionally be considered most useful for crop and food production impacting on revenue budgets and land use options and of course the provision of the core purpose of the service.
- 21 The impact of world events in the energy sector has added to environmental objectives of the authority in seeking renewable projects options to meet carbon targets, again adding to the demand for agricultural land and in addition to the woodland creation programme, there are renewable projects being explored that are already impacting on the management delaying and deferring normal lettings, resulting in farmsteads being held vacant pending the outcome of feasibility works.
- 22 The use of land for woodland and or renewables reduces the land available for farming in its narrower definition and clearly impacts on the financial performance of the service. Thus far the impact has been absorbed within budgets masking the costs and benefits. The adoption of an implementation plan and associated costs for the Councils Tree Risk management will also need to be considered in reviewing budget outcomes.

- 23 As the Council has been implementing its carbon action plan, 47.36 hectares of farmland on two farms have been identified as suitable for woodland creation in the forthcoming season with an additional 88.60 hectares on three farms acres undergoing feasibility studies for delivery pre-2025. The fiscal impact on the gross income from these schemes is approx. £40,000. A further 55 Hectare farm is currently being managed on short term arrangements whilst the potential for a solar pv schemes is considered. While the solar farm will generate an overall income benefit to the Council, the gross impact on service revenue is currently £8,000 with the maximum impact at £24,500pa. The impact on the service revenue budget varies from site to site but that impact extends into disposals receipts programmes and service planning / delivery during the feasibility stages. Its therefore important that whilst recognising the opportunities that the land assets provide, that the review acknowledge and make provision for the service and budgetary effects of implementing corporate polices.
- 24 The service is predicated on creating opportunities for new entrants into farming. This is the elemental reason for holding the estate and is recognised by its tenants and the community and is fundamentally different than the normal approach of a farm estate owner. Although these opportunities are created, it does mean at the end of a tenancy term tenants do need to be prepared to move on.
- 25 The management function has been delivered through a shared service, now referred to as a strategic partnership and will be important to consider the resources that are both available and required to deliver the identified policy objectives in the context of the diverging policies of the client authorities.
- 26 A review will therefore provide an opportunity to explore how to address the use of land for the various purposes and provide transparency in delivery and budget management.

### **Briefing Information**

- 27 The Best Practice Guidance referred to above recommends that review should seeks a diversity of views and seek evidence both in house and independently; involve stakeholders and encourage ownership of the resulting policy across all stakeholder groups. The key stages are as follows:
- (a) Baseline Data & Intelligence Gathering – “The Past”
  - (b) Stakeholder Engagement – “What do others think of the ‘The Past’ and what would they like to see in the future?”
  - (c) Alternative Use Potential – “What else could it be used for?”

- (d) Options Appraisal – “What could it look like?”
- (e) Stakeholder Consultation (options and policies and buy in) – “What should it look like?”
- (f) Consolidation, Asset Management Plan Preparation and Adoption – “The Future”
- (g) Monitor and Review – “Celebrate the benefits of active Asset Management”

#### Member Advisory Group

- 28 The intention is to set up a Member Advisory Group, to receive evidence, and consider the options and advise on the setting of any recommendations with the objective that a revised policy be adopted in 2024/2025.
- 29 Further to confirmation at committee, membership proposals will be invited, and terms of reference for the advisory group agreed accordingly.
- 30 The Members Advisory Panel would be formed of five Members drawn from the Economy and Growth Committee. This will be subject to nominations received and appointments approved by the Head of Governance and Democratic Services in line with the relevant protocols in the Constitution, with further terms of reference to be agreed.
- 31 Terms of reference will look to identify the engagement of members in providing guidance and advice around the farming sector, the role of tenant farms across Cheshire currently, and to participate in discussions and/or workshops around the future approach and policy for the Farm Estate. Members of the group will receive updates from officers as to the options being considered and be engaged with in the assessment of pros and cons of each option or approach that will form a policy. Members views will then be considered by officers in making a recommendation to Committee about the proposed policy.

#### Indicative Potential Options

- 32 Based on the actions of other Councils and the activity that the Council is currently undertaking there are several approaches the Council could take as the basis for its policy. Although not an exhaustive list some options could be:
  - (a) Continue as is. Carry on the work of reorganising the estate, which ultimately will result in the Council offering modern business tenancies typically on a 15-year term to enable new entrants into farming

- (b) Change the nature of how the estate is operated: for example: Widen the types of business that are eligible to access the estate, specifically enable the Council to use its land for other policy related purposes (for example carbon offsetting) or offer bare land tenancies to new entrants. It is possible that the Council may wish to consider its land holdings in the context of development of a future local plan as this would be a logical step for any landowner.
- (c) Release the estate allowing the capital invested in the estate to be used for other purposes.

## **Reasons for Recommendations**

- 33 The current policy was set in 2012 and reviewed in 2018. There have been many changes in the farming sector, rural environment, and wider economy. Therefore, a review is appropriate to ensure best practice and policy is relevant to current rural and economic pressures.

## **Other Options Considered**

- 34 Do Nothing – continue with existing policy without review. This would mean the Council would not be able to assess whether the current policy is ‘fit for purpose’ for current challenges in the farming and rural sectors, and therefore not reflective of wider pressures in local authorities and the economic climate in rural farming.

## **Implications**

### *Monitoring Officer/Legal*

- 35 Under the constitution, the Economy and Growth Committee are responsible for the development and delivery of the Council’s estates, land and physical asset policies and determination of policies and making decisions in predation to the rural and cultural economy. Therefore, it is appropriate that the Committee considers the content of this report and in due course take a decision regards adoption of a policy relating to farms.
- 36 The Smallholdings and Allotments Act 1908, allowed a county council to provide smallholdings for people that wanted to buy, lease and cultivate the holdings, any future use of the land should take into account the ethos of the act. The provision of an agricultural estate is non-statutory and are a discretionary service.
- 37 The recommendation includes the setting up of an advisory group, any appointments made to the group should be proportionate to the political composition of the Council. The Council is under a duty to give effect to the principles set out in the Local Government and Housing Act 1989 as far as reasonably possible.



- 38 When making a decision the Council should follow the Wednesbury principles, any failure to do so could result in the decision being called into question and ultimately judicially reviewed.

#### *Section 151 Officer/Finance*

- 39 There are no specific financial implications to this report other than commencing the review process and the employment of officers and others on this exercise. These will be funded through the Place Directorate. It is however very clear that there could be significant implications to the Council depending on what approach was taken as the result of this work. This will be considered in detail in the further report detailing the outcome of the review. Any proposed budget changes would be taken through the Council's MTFS process.

#### *Policy*

- 40 Developing new policy in this way also allows the Council to be seen as an open and enabling organisation as it ensures transparency in its decision making. It generates opportunities for the Council to listen to our residents. It can create opportunities to support a sustainable financial future for the Council.
- 41 Under the constitution the Committee has responsibility for making policies relating to the Farms Estate and also responsibilities for making decisions relating to the rural community. It is reasonable that the Council reviews its policies from time to time. The current approach to the Farms Estate was implemented in 2012, and reviewed in 2018, therefore it is appropriate that the Committee considers the existing approach and considers the approach it wishes to adopt into the future. Therefore, there are no policy implications directly associated with this report. It is entirely possible that some decisions that relate to the farms estate may have cross cutting policy themes or financial implications. These may need to be considered in more detail as the policy is developed.
- 42 Considering the farm estate policy follows work completed and considered in the previous fiscal year regarding the Council's Corporate Asset Management Plan. This document sets out how the Council's various policies, processes and procedures function in relation to each other and the Council's Corporate plan. Policy on the farms estate is developed in this context.

#### *Equality, Diversity and Inclusion*

- 43 None. At this stage there is no equality diversity or inclusion implications, however it is possible that change in the farms estate may have these implications, which would need to be considered in due course.

### *Human Resources*

- 44 None. It is possible in the future that there may be HR implications depending on what approach to its estate the Council chooses to take.

### *Risk Management*

- 45 Not undertaking a review would have risk management implications for the Council. It could find itself out of step with the market or that the estate is not aligned to the needs of the Borough's residents in the future.

### *Rural Communities*

- 46 The farms estate is part of the fabric of rural life in the Borough. The Council's approach to its farms was set in 2012 and it is entirely possible that this offer is misaligned to the needs of rural communities. Taking the step to refresh its policy creates an opportunity to understand the requirements of rural communities and indeed more widely the needs of residents in the Borough.

### *Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

- 47 None.

### *Public Health*

- 48 None. However, it is possible that there may be public health implications for the Council as an outcome of this process.

### *Climate Change*

- 49 The Council plans to be carbon neutral by 2025 and use of land in its control to help achieve this is a significant part of the overall approach the Council has adopted to achieve this. The environment is very much part of the day-to-day operation of the estate and considering the Government's approach to farming is also an important factor in understanding the implications of climate change for the council as an owner of agricultural land.

**Access to Information**

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Appendices:	None
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Background Papers:	
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