

DENBIGHSHIRE COUNTY COUNCIL

AGRICULTURAL ESTATE

STRATEGY PROPOSALS

1. BACKGROUND

1.1. The Agricultural Estate comprises approximately 1,053 hectares, (2600 acres) of land. The estate is a mixture of dairy and stock farms with bare land grazing and some woodland. Appendix 1 provides details of the holdings and bare land and their location

1.2. The holdings are let via either Full Agricultural Tenancy agreements subject to the Agricultural Holdings Act 1986, or Farm Business Tenancy agreements subject to the Agricultural Tenancies Act 1995. The two Acts are subject to different statutory provisions and place different responsibilities on the Landlord and Tenant.

Table 1: Summary of Lettings (Holdings and bare land)

Numbers:	AHA(a)	FBT(b)	TOTAL
Farms	9	14	23
Land		15	15
TOTAL	9	29	38

a) Agricultural Holdings Act. b) Farm Business Tenancy.

1.3. The annual income generated from the estate is in the region of £230,000 but this revenue is bolstered each year by miscellaneous ad hoc income. An annual revenue budget of around £130,000 is provided from the gross income to cover repairs & maintenance, salaries and other sundry costs. Historically the repairs & maintenance budget has been insufficient to cover the yearly calls on a reactive maintenance basis. In addition, the nature of the Agricultural Holdings Act tenancies places additional burdens on the estate. Capital investment requirements for the estate for the next three years are estimated to be in excess of £1million but are £1.5 to £2 million if looking at a period of over 3 years.

1.4. An in depth review of the agricultural estate was undertaken in 2010.

The Councils agricultural estate team, together with the agricultural estates working group in conjunction with Bruton Knowles, considered the following options:

- Retention in broadly the current format,
- Outright disposal of the estate as an investment in whole or in lots.
- Progressive disposal particularly as vacant possession becomes available.
- Progressive rationalisation into a more viable and sustainable estate. This would involve the disposal of some units and the investment of capital funds into other units.

APPENDIX 1

1.5. The option adopted at the time was progressive rationalisation. It was considered to be the only policy option which could deliver a more viable and sustainable estate by targeting investment into certain holdings and disposing of other holdings. This review was for a five year timescale and that period is therefore coming to its conclusion. It is anticipated that all the actions resulting from the 2010/2011 review will be completed and in place by spring 2015.

1.6. Notwithstanding the above and following concerns raised by the Performance Scrutiny Committee in March 2014, it was decided that in view of the change in the current financial reality for public authorities as compared to that which existed in 2010/11, the agricultural estate strategy was no longer representative of the Council's current position in terms of existing financial constraints.

2. RATIONALE

2.1. Local authority agricultural estates (also known as County Council Smallholdings) were created over a century ago in 1908 by legislation intended to create opportunities to provide land for new entrants into food production and agriculture.

2.2. Technological advances and improved mechanisation in agriculture has resulted in the increase in the average size of farms. Fixed costs have to be spread on larger areas in order for farms to become more viable and to enable them to compete in an increasingly challenging industry. Local Authority farms have followed this trend.

2.3. In addition to the above, agricultural tenancy legislation means that there is limited tenancy turnover. Holdings initially let as starter holdings may still be occupied under the same tenancy a generation later. In Denbighshire, a smallholding was last re-let some 10 years ago.

2.4. Denbighshire's agricultural holdings no longer provide the opportunity for new entrants into the farming industry. As mentioned above, the level of investment now required for new entrants in terms of the machinery and infrastructure needed in order to establish a sustainable farming operation -which can survive in the context of the modern farming industry- is far in excess of the traditional 20 acre starter farm model. Together with the number of long term tenancies still in operation, opportunities for new entrants are extremely limited.

2.5. Agricultural estates are non-statutory otherwise known as discretionary services.

2.6. The investment value of Denbighshire County Councils estate is estimated to be in the region of £22.5 million. The rate of return for the estate is therefore less than 1%.

2.7. Investors in agricultural property will traditionally accept a low rate of return for various reasons such as: - Capital growth with the value of agricultural land generally increasing (in real terms) over time, many investors may prefer capital gain as opposed to income as this can be tax efficient, there are tax reliefs available on the sale of agricultural land (e.g. roll over relief), for inheritance tax- agricultural land & buildings can qualify for agricultural tax relief, and some investors will traditionally have an investment strategy of buying land.

APPENDIX 1

2.8. Other than the benefit of capital growth, none of the above investment advantages will apply to local authorities and capital growth will only provide a benefit to the Council if the investment is sold at a time when land prices are high and when money is required to fund services.

2.9. For this reason, agricultural property is considered to be a poor investment for the Council to hold especially when considering that providing smallholdings for new starters is not a statutory responsibility for the Council and also bearing in mind the limited (if any) opportunities that exist for new entrants.

2.10. In view of the above, the Council has started discussions with a local college with regard to facilitating a process that enables interested new entrants to the farming industry to gain experience of a practical nature through assistance provided by the Council.

3. PROCESS

3.1. The future strategy for the estate has been considered in light of the above rationale together with input from the Councils agricultural estate working group. This group comprises of members of the Council.

3.2. Interested stakeholders (Farming Unions, Clwyd Federation of Young Farmers Club, Tenant Farmers Association, Country Land and Business Association, all tenants, and all Members) have been consulted regarding the proposed strategy.

4. PROPOSED STRATEGY

4.1. Discussions and negotiations regarding tenancies and farm rationalisations which are still ongoing from the Bruton Knowles review will be completed. (Unless it is the wish of the tenant not to proceed)

4.2. With regard to holdings where a tenancy is coming to an end, the existing tenant will be given the option- where appropriate - to purchase the freehold of the farm or parts thereof. Where this is the case, any remaining land forming part of the holding will be offered on a short term tenancy to the existing tenant on the understanding that they are expected to either purchase or relinquish this land when the tenancy expires. Where a tenant declines to purchase the holding in these circumstances, the tenancy will not be renewed and the farm will be placed on the open market.

4.3. Where new requests are received from a tenant for the succession of tenancy to a son or daughter - which has not been previously agreed under the Bruton Knowles review, discussions will commence with the tenant - where appropriate - regarding the sale to the tenant of part or whole of the holding. Where the offer of a sale to the tenant is declined, the succession tenancy will be declined. If the freehold purchase does not proceed as anticipated, the tenancy will not be renewed and the farm will then be placed upon the open market.

APPENDIX 1

4.4. Existing tenants occupying holdings under long term tenancies will - where appropriate -be offered the option of purchasing all or part of the freehold of their holdings as in the above, taking into consideration the value of the existing lease and any investment made by the tenant in the holding.

4.5. Opportunities may arise on an ad hoc basis where a tenant may express his interest in purchasing part or whole of the holding. Such discussions may take place during rent review discussions or during other discussions relating to the management of the holding. Such potential disposal opportunities which arise from unforeseen occurrences will be taken as and when they arise. Strategic sites will be identified and dealt with on an individual basis.

4.6. Disposals will in the main be subject to covenants restricting the use of the land for agricultural purposes and/or overage agreements in respect of any increased values obtained through alternative use and/or retention of rights across any disposed land (as far as this can be done legally to protect the rights of the Council and its future needs).

4.7. In all cases, the scheme of delegation and democratic process of the Council at the time will be adhered to in the making of decisions affecting the estate.

5. CONCLUSION

5.1. The Agricultural Estate represents a substantial capital resource which must be seen to work both for the Council and its tenants. The Council no longer has the resources to support the agricultural estate in its current form.

5.2. Without taking action now to address these issues, the condition of the estate will deteriorate further resulting in a likely decrease in the value of the built element of the estate. Doing nothing is not an option. There are financial, legal and reputational risks to the Council in not addressing the issue.

5.3. The holdings and bare land currently owned by the Council will remain as farmed units even if they are sold by the Council.

5.4. The Councils agricultural estate is not meeting its objective of providing land for new entrants into food production and agriculture.

5.5. Existing tenants who have the opportunity to purchase their holdings will have better access to funds to further invest and improve their holdings.

5.6. Improved opportunities for new entrants to farming can be provided by the Council working with local colleges to facilitate more practical solutions to training requirements.

APPENDIX 1

APPENDIX 1

FARMS WITHIN DENBIGHSHIRE COUNTY COUNCIL		
1	Plas Coch	Rhuallt
1a	Bareland at Pant Ifan Newydd	Rhuallt
2	Bodynys	Rhewl
3	Bryn Gwyn	Rhuddlan
4	Bryn Llwyn	Gwaenysgor
5	Caerfamaeth	Llanbedr DC
6	Corwen Estates	Corwen
7	Denbigh Estates	Denbigh
8	Detached Land at Ruthin	Ruthin
9	Efail Y Waen	Bodfari
10	Glasdir	Ruthin
11	Green Gates	St Asaph
12	Land at Rhuddlan - Tirionfa	Rhuddlan
13	Lletty farm	Llangynhafal
14	Maesglas	Efenechtyd
15	MaesyGroes	Henllan
16	Meadowbrook and Morfa Lodge	Rhuddlan
17	Pant y Ffynnon	Glyndyfrdwy
18	Pentrefelin Ucha	Llandyrnog
19	Pydew	Meliden
20	Ty Cerrig	Melin Y Wig
21	Ty Coch	Llangynhafal
22	Tyn y Caeau	Llangynhafal
23	Ty'n y Celyn	Llanbedr DC

APPENDIX 1

