Cabinet

Dorset County Council

Date of Meeting	7 March 2018
<u>Cabinet Member</u> Daryl Turner - Cabinet Member for the Natural and Built Environment <u>Local Members</u> Hilary Cox – Chairman of Dorset County Council and Chairman of the County Farms Liaison Panel; other members of County Farms Liaison Panel; all local members with County Farms in their divisions <u>Lead Director</u> Mike Harries - Corporate Director for Environment and Economy	
Subject of Report	**County Farms Estate Management Plan Update**
Executive Summary	The County Farms Estate Management Plan 2016-21 was approved by Cabinet on 13 April 2016. This confirmed the primary purposes of the Estate as: • To provide a 'gateway' into agriculture for people to farm on their own account promoting the integration of good environmental and farming practices whilst ensuring a financial return to the County Council; • To sustain rural communities by supporting the living, working countryside and providing opportunities for greater public access and understanding of agriculture and the countryside. The Estate is a significant generator of revenue income delivering an operational surplus of over £550,000 per annum for the County Council. The operational surplus per hectare is higher than all other SW local authorities and the private sector equivalent benchmark. The current business model also provides strategic benefits to the County Council in delivering its corporate outcomes, particularly:

	• Prosperous: the estate adds value to the local economy, supporting over 250 jobs and generating a GVA of £6.9m (see section 3) • Healthy: the estate can set an example in promoting public access and other public goods which contribute to a healthy environment and healthy communities (see section 4) • Independent: the estate supports people, including vulnerable people, to live independent lives via e.g. 'care farming' and skills development (see section 4) In view of the pressures on the County Council's budget, the potential for disposals which would generate capital receipts for the authority, has been considered within the context of the agreed Management Plan. As a result, in addition to 4 farms already identified as non-core, a further 6 off-lying properties have been identified which, together, could form a revised 5 year disposal programme. The future of each asset would be reviewed and finalised on gaining vacant possession. The 6 farms would each continue as operational assets until vacant possession can be established which in some cases would not be until 2024-25. This programme could yield in the region of £9.7m of capital receipts over the 5 year period, with potentially over £7m realised in the first 2 years. This would result in the disposal of 375 ha of land, which amounts to 14% of the total area of the Estate. There would be a corresponding drop in annual revenue income of £95,000 per annum (13% of the total estate income) which would need to be reflected in revised income targets set for the Estate The recommendations in this report would therefore generate significant capital receipts for the authority without fundamentally undermining the agreed Management Plan objectives, the current business model or the benefits it offers.
Impact Assessment:	Equalities Impact Assessment: An Equalities Impact Assessment has suggested that the recommendations in this report would not adversely impact on the equalities of any individual, group nor people with protected characteristics. Issues of rurality have, however, been considered and are summarised in the report.
	Use of Evidence: Evidence in this paper has been drawn from research carried out by the University of Plymouth, the Centre of Rural for Rural Policy Research, Defra and Dorset Statistics as well as primary research carried out by the County Council's Policy and Research Team. Key stakeholders on the County Farms Liaison Panel have also been consulted in the preparation of this report.
	Budget: This report has identifies the potential to generate capital receipts of £9,700,000 from a targeted disposals programme. However, in realising this level of capital receipt an annual revenue income of

	£95,000 would eventually be lost which would need to be reflected in revised income targets set for the Estate as and when each farm is sold.
	Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: MEDIUM Residual Risk: MEDIUM
	Other Implications: Property and Assets: the principal element of this proposal is the further rationalisation of the County Farms property portfolio. This proposal is supported by the Property Management Group.
Recommendation	That the Cabinet: i. Re-classify the 6 off lying farms identified in Appendix 1 (EXEMPT) as non-core with a view to their future disposal. ii. Revise the income target for the Estate to reflect the loss of rental income associated with these disposals (c.£95,000 p.a.)
Reason for Recommendation	To enable the delivery of the County Farms Management Plan 2016-21 and support corporate outcomes whilst improving the financial position of the County Council.
Appendices	Appendix 1 – potential capital receipts arising from recommendations (Exempt information under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972) Appendix 2 - Dorset County Farms Economic Impact Assessment
Background Papers	County Farms Estate Management Plan 2016-21
Officer Contact	Name: Ben Lancaster, Senior Estate Surveyor (Rural Practice) Tel: 01305 221952 (x718 1952) Email: b.lancaster@dorsetcc.gov.uk

1.0 Background

1.1 Dorset County Council's County Farm Estate extends to 2,576 ha (6,365 acres) and comprises of 46 equipped farms together with various parcels of bare land.

1.2 The Estate is currently divided into "core" and "non-core holdings". 42 core holdings are managed on the basis of long term retention by the County Council, as per the Management Plan 2016-21 agreed by Cabinet in 13 April 2016. 4 non-core holdings previously identified remain on the Estate and the future of each will be determined upon the County Council gaining vacant possession. The current assumption is that the farmstead (farmhouse, buildings and a small area of surrounding land) will be sold with the remainder of the land retained for amalgamation with neighbouring holdings in line with the Management Plan.

1.3 In September 2017 the Chairman of the County Council, together with the portfolio holder for Community and Resources and the Chief Financial Officer requested that the potential for further disposals be considered with a view to generating additional capital receipts. This is necessary to support the County Council's capital position and reduce the revenue costs associated with servicing its debt.

1.4 Proposals were developed by officers and discussed by the County Farms Liaison Panel (a formally constituted, advisory body comprising elected members, including the Chairman of the County Council and the Portfolio Holder for Community and Resources, and other key stakeholders) on 25 October 2017. The Panel recognised the County Council's need to generate capital receipts, and felt strongly that a targeted programme of disposals would enable this without fundamentally undermining the current business model or Management Plan objectives recently agreed for the Estate.

2.0 The County Farms Estate Business Model

2.1 Previous rationalisation of the County Farms Estate from 2000 put the Estate in a strong position to make a positive contribution to County Council finances. The estate is now a significant income generator for the County Council, producing a surplus of over £550,000 annually.

2.2 Dorset's estate has the highest operational surplus per hectare (income less expenditure) of all the County Farm authorities in the South West and is also higher than the average operational surplus reported in the Savill's Estate benchmarking survey, a good indicator of the private sector estates performance (see figure 1).

2.3 The Estate has met and often exceeded Asset Management Plan targets to increase this surplus incrementally in successive years. An equivalent amount to this surplus would have to be removed from service budgets if the County Farms estate did not exist.

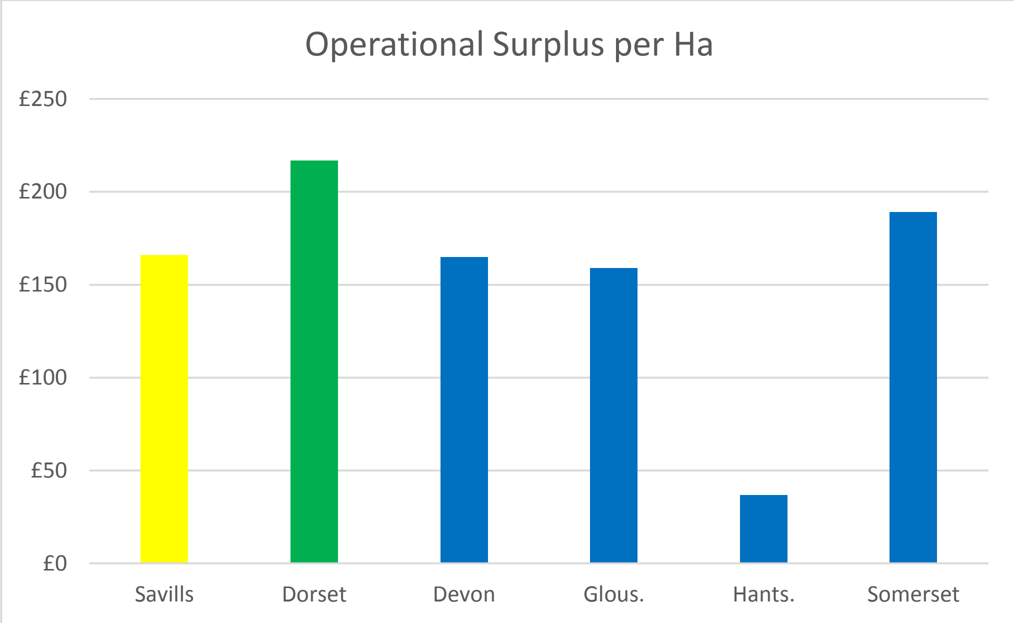

Figure 1. Operational surplus as at 31 March 2017 (Source: CIPFA/Savills Estate Benchmarking Survey)

3.0 The County Farms Estate and the Local Economy

3.1 Agriculture is an important employment sector in Dorset, accounting for 10.3% of all employment in the county (source: Dorset Statistics). This is compared to the national average of 5%. Research by the University of Plymouth has shown that County Farms are the principal route into the agricultural industry for new entrants. This route into agriculture is one of the primary aims of the Dorset County Farms Estate, which it continues to meet.

3.2 New entrants are essential for any industry, however the capital requirements of agriculture make farming one of the most difficult industries to enter. New entrants make a positive contribution to local communities, ensuring they remain vibrant and supporting local services and facilities as well as providing employment opportunities for local people, whether directly or indirectly via the agricultural services supply chain.

3.3 Evidence from the Centre for Rural Policy Research (Exeter) South West Farm Survey 2016 suggests that small family farms support a greater density of employment, employing more workers per unit area than larger farms. Table 1 shows that on average, small farms of less than 50 ha employed just over 2 FTEs (Full Time Equivalent) compared to the largest farms employing 5.25 FTEs. Significantly, it is smaller farms that employ more labour per unit area. Table 1 indicates that average employment per hectare is greater on smaller farms (< 50 and <100 ha) compared to larger farms. The average size holding on the County Farms Estate is 50 ha.

Farm Size (ha)	<50	50<100	100<150	150<200	200<250	250 +
Average FTE	4.95	2.47	1.87	1.61	1.48	1.06

Table 1. Full Time Equivalent employment by farm size (Source: South West Farm Survey 2016)

3.4 Figures from Defra's annual Agriculture in the United Kingdom report show a trend of larger farms (100 ha+) growing in size at the expense of smaller farms. This trend would suggest that County Farms which are sold may become part of larger, neighbouring holdings, which would have a knock-on effect on agricultural employment as show in Table 1, as well as reducing opportunities for new entrants.

3.5 The labour trend shown in Table 1 also continues into the wider local agricultural support services supply chain, which would include, for example, machinery suppliers, veterinary support, accountancy etc. As an example, table 2 shows that on average smaller farms spend more on the use of agricultural contractors per hectare than larger farms – these are also more likely to be local firms.

Farm Size (ha)	<90	90<140	140<200	200 +
Contractor cost/ha	£65	£60	£60	£45

Table 2. Agricultural contractor cost by farm size for a lowland grazing livestock farm (Source: Agricultural Budgeting & Costing Book 2016)

3.6 The statistics above are reflected in an Economic Impact Assessment of the County Farms Estate undertaken by the County Council's Policy and Research team in 2018. The assessment models the value of the County Farms Estate to the local economy in terms of both direct employment and also supply chain activities.

3.7 The research suggests that the County Farms Estate supports approximately 115 FTE jobs directly through on farm employment. An estimated further 79 FTE are supported in the local economy through supply chain activities, a combined total of 259 FTE.

3.8 The Economic Impact Assessment also suggests that tenants of the County Farm Estate spend around £8.6m per annum in the local economy. This spend contributes a total of about £6.9 million in Gross Value Added to the economy (i.e. after deductions for purchases and adjustments for indirect taxes etc). The multiplier effect shows that for every £1 million of GVA injected into the Dorset economy arising from spend via the County Farms, £1.53 million of demand is generated within the wider economy (including the initial £1 million).

4. Other benefits and opportunities from the County Farms Estate

4.1 In addition to the economic benefits delivered by the County Farms Estate, the Estate offers other strategic benefits and opportunities in relation to the County Council's corporate outcomes, which can be summarised as follows:

- Prosperous: in addition to its direct economic impact, the Estate supports a living, working countryside by contributing to a sustainable rural economy. It also provides opportunities for skills development and succession in an important economic sector to Dorset.

- Healthy: the Management Plan includes policies to ensure that the Estate leads by example in countryside access and Rights of Way management, improving public health and wellbeing via the proven benefits of physical activity and access to nature. Responsible land management within the estate also contributes to the corporate plan aim of a healthy environment, and in view of the Government's intention to shift agricultural subsidy from food production to the provision of environmental goods and services, this could represent a significant financial opportunity for the County Farms Estate in future.

- Independent: the Estate supports people, including vulnerable people, to live independent lives via initiatives such as 'care farming'. For example, Holtwood Community Farm provides opportunities for young people and adults with autism, learning disabilities and mental health issues to gain first hand experience of farming, food production, and countryside skills in a high quality environment.

4.2 There are also positive reputational benefits for Dorset County Council arising from managing a successful County Farms Estate. Dorset's estate is frequently cited as demonstrating best practice within the agricultural industry. The current holders of the national dairy farmer of the year award are tenants of the County Council's County Farms Estate.

4.3 Finally, the County Farm Estate also provides strategic development opportunities which help deliver County Council objectives. Periodic development reviews ensure that opportunities to promote land for development are identified – for example, work is currently underway to identify possible exception sites which would enable small scale development which could assist Adult & Community Services in providing accommodation for service users with specialised and/or complex needs.

5.0 Securing Capital Receipts from non-core assets

5.1 In view of both the financial and wider benefits provided by the County Farm Estate, the current approved Management Plan provides for the retention of a core County Farms Estate, whilst generating capital receipts via disposal of non-core properties and off lying farms.

5.2 This model allows for further future amalgamation within the core Estate due to the close (in many cases adjoining) nature of the retained holdings which would be more difficult if it were to be attempted with off lying farms and land. Due to the operational model of the Estate the majority of the farms will be let under varying lengths of term. On this basis, in order to realise capital receipts, it will in some cases be necessary to agree terms with tenants to either surrender their tenancies or to buy the farms they rent. This will involve some degree of capital payment to the tenant or a discounted purchase price to reflect the individual tenancy agreement – the latter being perhaps more likely given the objectives set out above.

5.3 The 4 farms which have previously been categorised as non-core are shown in Appendix 1 (EXEMPT). A further 6 properties which could be considered as off lying and, under the recommendations in this paper, re-classified as non-core are also set out in Appendix 1 (EXEMPT).

5.4 The proposals above would result in the disposal of 375ha of land representing 14% of the County Farms Estate. While the proposal to reclassify the identified core farms as non-core will enable the generation of significant capital receipts, the sale of off lying farms will result in the loss of £95,000 of revenue income (rent), which amounts to 13% of Estate income. This will have a significant negative impact on the overall rental income of the County Farms Estate and its ability to meet previously set financial targets. Asset Management Plan targets for income from County Farms would therefore need to be reduced accordingly.

Mike Harries
Corporate Director for Environment and Economy
February 2018