

County Farms Policy

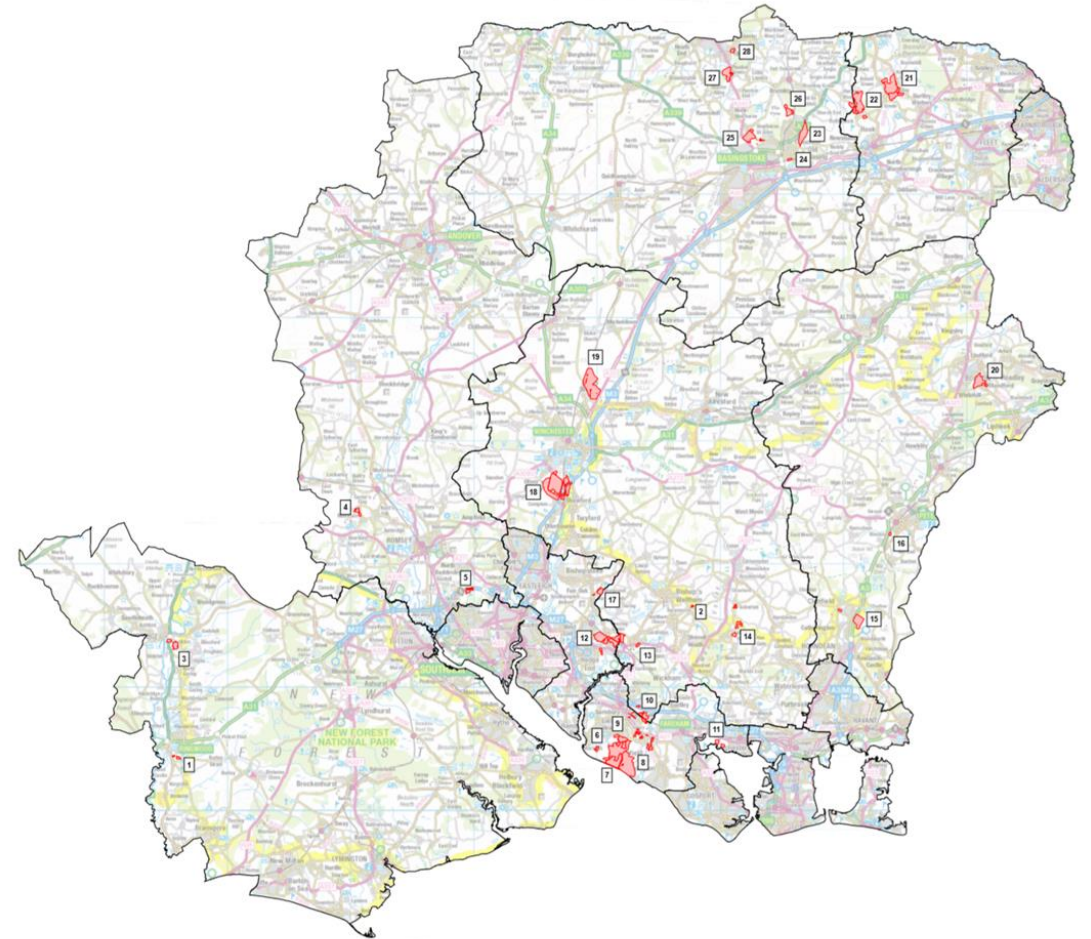
Culture and Communities
Select Committee

18th March 2021



County Farms: Background

- Established in the early 20th century as the **County Smallholdings Service**
- To support **entry into farming**, produce more food and provide ex-servicemen with employment
- Hampshire is **one of 43** farm authorities
- **1,914 hectares** of land; **38 equipped holdings** in **30 locations**
- **Dairy, arable, horticulture** and **livestock** farm businesses together with some livery enterprises
- **Farms vary** in size, location, condition, rental value and performance



County Farms: Legislative Framework

Agriculture Act 1970

- County Farms estate is a **smallholding authority** under the Act
- **Provides discretionary power** to provide opportunities for appropriately qualified persons to **farm on their own account**
- Allows the council to **let the land**

Local Government Act 1972

- Provides the power to **sell, exchange or appropriate land**

Agriculture Act 2020

- Empowers Defra to provide **funding** through the **New Entrants Support Scheme**
- Sets out provisions for '**public money for public goods**' with an increased focus on environmental outcomes
- New **Environmental Land Management** scheme (ELMs) will provide the **only public funding support mechanism** for farmers and replace the Basic Payment Scheme (BPS)

Review: Aims and approach

Context:

- Review initiated by the Executive Member in September 2019
- 2010 report presented County Farms Policy to 2025 with 5 yearly reviews

Aims:

- To ensure a viable framework for the County Farms Service
- Respond to Brexit, mitigation, climate change and Vision for Hampshire 2050
- Consider approach to farm replacement

Approach

- Autumn 2019 to February 2021



- Officer Steering Group led by the Director for Culture, Communities and Business Services
- Member Advisory Group comprising Cllr Heron, Cllr McNair Scott, Cllr Simpson, Cllr Latham & The Earl of Malmesbury
- Key themes:
 - *purpose and benefits of the County Farms service*
 - *tenancy policy*
 - *land management*
 - *climate change and environment*
 - *diversification and financial performance*
 - *scale of the estate and farm replacement*



- Farm visits in August 2020
- Tenant consultation through informal dialogue and formal questionnaire



Review feedback: Tenancy

Topics

- New entrants
- Tenant selection
- Starter & progression holdings
- Tenancy lengths
- Tenant performance
- Support to tenants

Review findings and conclusions

- Enabling new entrants should remain a principal aim of the service
- Tenant selection is important and should be through an open and transparent processes
- Progression holdings can be an important next step and should continue to be provided where possible
- Tenancy lengths of 7 + 3 years for starter holdings and 10 + 5 years for progression holdings were supported
- Collaboration between tenants, CPD opportunities, wellbeing support were identified as areas for County Council support
- Use of social media platforms and virtual meeting technology to provide support was endorsed

Tenant feedback

- 85% agreed or strongly agreed that providing opportunities for new entrants should be a service priority
- Suggestions for support that the County Council could provide included enabling sharing of information and access to guidance (50% of respondents) and increased inspections to assist with meeting expected standards

Policy provisions: Tenancy



“Our aim is to provide inclusive opportunities for new entrants into a sustainable and innovative farming environment and opportunities for existing tenants to progress to larger holdings.”

- New tenancy opportunities will be **openly advertised** and be subject to a **tenant selection process**
- **Progression holdings** will be offered when available
- Current tenancy lengths retained:
 - **Starter holdings - 7 years with a discretionary 3 year extension**
 - **Progression holdings - 10 years with a discretionary 5 year extension**
- Support to tenants through **regular dialogue** and **by facilitating training and mentoring**
- **Increased emphasis on performance**
- A partnership approach within the provisions of the **Agriculture Act 1970**

The Policy: Tenancy

Tenancy



Our aim is to provide inclusive opportunities for new entrants into a sustainable and innovative farming environment and opportunities for existing tenants to progress to larger holdings.

1. New tenancy opportunities will be offered on Starter Holdings. These will be openly advertised and be subject to a fair and transparent tenant selection process.
2. Tenancy opportunities for Progression Holdings will be offered to current HCC tenants using a fair and transparent selection process. Progression holdings will be offered externally on the same basis if there are no suitable candidates from HCC starter holdings.
3. We will work proactively and in partnership with existing and future tenants to deliver the outcomes outlined in the policy.
4. New entrants to farming will be supported to build sustainable farming businesses and progress to new opportunities at the end of a tenancy.
5. The tenancy length for Starter Holdings will normally be 7 years with a discretionary 3 year extension, subject to satisfactory performance and business plan from the tenant.
6. The tenancy length for Progression Holdings will normally be 10 years with a discretionary 5 year extension, subject to satisfactory performance and business plan from the tenant. This longer period is to enable business growth on a larger holding.
7. Tenant performance will be monitored against the agreed business plan and reviewed according to the tenancy agreement, but at least annually.
8. Tenants will be supported, in the management of their business and their personal wellbeing, through regular dialogue, the provision of timely information and by facilitating appropriate training and mentoring.
9. Collaboration between tenants and with the County Council will be encouraged and the County Farms Service will actively recognise and promote tenants' achievements.
10. As a Smallholdings Authority, Hampshire County Council will follow the requirements of the Agriculture Act 1970 and other relevant legislation.

Review feedback: Land management and farming systems

Topics

- Land management and animal welfare standards
- Natural environment outcomes
- Farm diversification
- Social benefits

Review findings and conclusions

- Farming and food production should remain at the core of the Farm Service
- High standards of animal welfare and sustainable land management aligning to standards set by assurance schemes
- Positive outcomes for natural environment
- County farms should be contributing to climate change targets
- Alignment with ‘public money for public goods’ approach of ELMs
- Diversification where this complements and supports the resilience of the core farm business
- Integration with community and other Council services e.g. by enabling rights of way access for recreation and wellbeing purposes.

Tenant feedback

- >75% of respondents were able to show a range of new approaches, techniques and principles adopted to improve sustainability
- 58% of respondents are already accredited by an independent assurance
- 88% are considering how climate change affects their business

Policy provisions: Land management and farming systems

“Our aim is to achieve sustainable and adaptive systems of farming and land management to support high quality environmental, social and economic outcomes for Hampshire.”



- **Food production** remains at the core of the farms
- Identifies that the County Council will set out **environmental and social priorities** for each farm to enable tenants to respond to these in their business plans
- Requires tenants to adopt a **sustainable farming system**
- Sets expectation that tenants will have membership of an appropriate **assurance scheme**
- **Innovative farming techniques & technologies** are encouraged
- **Farm diversification** encouraged, particularly where it **contributes** to the **local economy** and **community**

The Policy: Land management and farming systems

Land management and farming systems



Our aim is to achieve sustainable and adaptive systems of farming and land management to support high quality environmental, social and economic outcomes for Hampshire.

1. County Farms estate management will focus on sustainable, productive and innovative farming, with food production at its core.
2. Environmental and social priorities, e.g. access improvements, will be identified for each farm to enable tenants to identify how they will achieve the desired outcomes within their agreed business plan.
3. The County Council will work in partnership with tenants, partner organisations and other landowners to enhance the natural capital of the County Farms estate by connecting habitats, delivering ecosystem services and conserving historic features in the landscape.
4. All farm tenants will be required to adopt an adaptive sustainable farming system that delivers the public goods outlined in the Agriculture Act 2020 and Environment Bill 2019-21 (e.g. better air and water quality, thriving wildlife, soil health, measures to reduce flooding) and contributes to the County Council climate change strategy and targets.
5. Tenants will be expected to meet high standards of animal welfare, food safety and environmental protection through membership of appropriate assurance schemes e.g. LEAF, Arla, Red Tractor.
6. Innovative farming techniques, technologies and cropping on the County Farms estate will be encouraged and supported, along with sustainable, efficient and renewable energy solutions.
7. Farm diversification will be encouraged where this supports the financial viability and resilience of the tenant's farm business and contributes positively to the local economy, community and wider County Council objectives.

Review feedback: Financial management

Topics

- Revenue return
- Rent levels
- Capital investment
- Landlord & tenant obligations
- External grant opportunities

Review findings and conclusions

- County Farms should be funded from income
- Council seeks to break even or make a small contribution to overheads
- Rent should be set at market levels but flexible to take account of specific circumstances
- Capital investment necessary to maintain condition and rental value. Should be recouped via rent when investment made for farm improvement.
- Landlord and tenant financial obligation are set out in the tenancy agreement and should be observed
- Tenants often have more opportunity to secure external grant funding – need to work in partnership to maximise these opportunities

Tenant feedback

- A number of tenants noted the significant financial challenges faced by new entrants
- Access to capital funds for investment was identified as an area for County Council support

Financial management – Policy provisions



“Our aim is to support tenants to establish and grow viable agricultural businesses by providing farms from which they can operate and thrive for the duration of their tenancy.”

- The Council will neither subsidise or seek to profit from the service
- **Rent** will be set at **market level** but with **flexibility to reduce** where tenants provide substantial value to County Council
- Provides expectation of **rental increase for capital improvements** that benefit tenants
- Sets out the **requirement for ongoing** programme of **maintenance**
- Identifies a **partnership approach** to securing **grant funding**

The Policy: Financial management

Financial management



Our aim is to support tenants to establish and grow viable agricultural businesses by providing farms from which they can operate and thrive for the duration of their tenancy.

1. Rents will be set at the appropriate market rate and reviewed regularly. Tenants will be required to meet their financial responsibilities as set out in the agreement. Rental levels may be discounted where farm tenants are able to deliver agreed, clearly defined and substantial value to the County Council through their management of the holding.
2. The County Council will not subsidise the County Farms Service, neither does it seek to make profit. Income from tenancies and other sources will be used to sustain the farm estate.
3. The County Council will deliver a programme of maintenance and investment to maintain the Estate in a sustainable condition, meet its obligations as landlord and maintain the farm rental value.
4. Opportunities for capital investment in the Estate through grants will be explored and developed in partnership with tenants.
5. The County Council's investment in farm improvements that financially benefit the tenant will be subject to a business case and require a rental return on expenditure employed

Review feedback: The Farm Estate

Topics

- Scale
- Diversity
- Starter & progression holdings
- Alternative land uses
- Farm replacement

Review findings and conclusions

- The Estate should be measured by total acreage held rather than number of holdings
- A diversity of farm types is beneficial
- Allocation of land to holdings on a flexible approach to maximise opportunity
- 2019 baseline size of the estate should be maintained
- Long term opportunities for capital receipts remain important
- Land assigned to strategic land or other uses should be replaced
- Further work is required to allow the County Council to best engage in specialist acquisition market

Tenant feedback

- Providing more opportunities for progression would help tenants succeed and thrive in their businesses

Policy provisions: The Farm Estate

“Our aim is to maintain the scale and quality of the land and assets available to the County Farms Service.”



- Seek to maintain the **scale, quality and diversity** of the Estate
- **Flexible approach** to management of land **across the rural portfolio**
- A **judicious approach to acquisition** of new land
- Management of the **transition** of land **to alternative uses**

The Policy: The Farm Estate

The Farm Estate

Our aim is to maintain the scale and quality of the land and assets available to the County Farms Service



1. Sound estate management practice will be demonstrated having due regard to the interests, aspirations and responsibilities of both the tenants and the Council.
2. A diversity of holdings will be maintained to support a variety of farm business models. There will be a flexible approach across the wider rural land portfolio when reviewing and creating opportunities for both starter and progression holdings.
3. The County Council will seek to maintain the farm estate at its current scale, quality and diversity through judicious acquisition of new land in line with agreed business case and financial parameters thus mitigating the impact of land identified for alternative uses.
4. The County Council will take a strategic view when acquiring land for the County Farms estate and where land is identified for development or alternative uses, a transition plan will be developed in partnership with any tenants affected.

Performance

Contribution of Council Farms:

- Let land represents c. 35% of all UK agricultural land. Council farms provide around 12% of land let on new farm tenancies. **Hampshire's farm estate represents c. 2% of land held for council farms.**
- New entrants take around 23% of all new occupier lettings each year. Councils have been responsible for c. 49% of these opportunities. **Hampshire provides one new entrant opportunity per year on average.**
- **Average letting period** for fully equipped farm is 7.5 years nationally, almost 9 years for council farms and **9.6 years for Hampshire County Farms.**

Covid-19

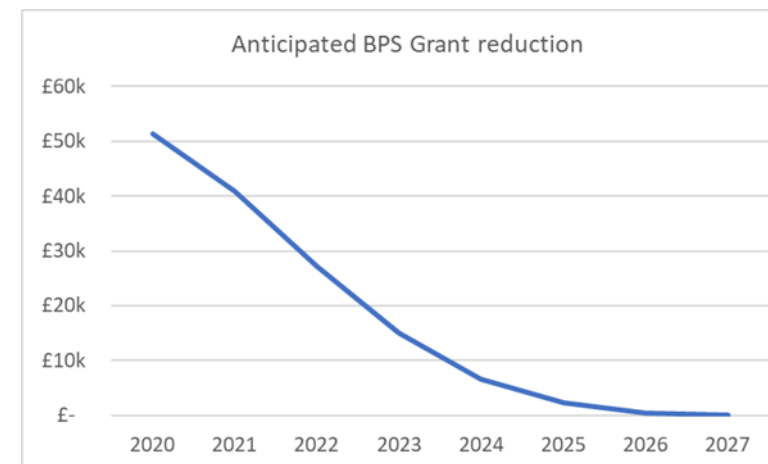
- Most Hampshire County Farms tenants have performed well over the last year. Successes include:
 - **Milk vending machines** – serving local communities
 - **Farm shops** – increased demand
 - **Boxxfresh delivery service** – expanded nationally

Performance reporting:

- New Policy has increased emphasis on performance
- **Annual performance report** to Executive Member for Recreation, Heritage, Countryside and Rural Affairs from 2022

Financial arrangements & implications

- Primary **income** source is **rent from farm tenancies, bare land lettings and grazing arrangements,**
- Majority of **expenditure** is **repairs and maintenance and staff costs**
- Currently **Basic Payment Scheme (BPS)** grant will **reduce to zero by 2027**, as **ELMs** is introduced.
- **£2.4 million capital investment** in 2021/22 for **essential maintenance and compliance schemes.**
- **Operational provisions** of the new Policy can be implemented **within current revenue resources.**
- The **accrued BPS grant** will support the **implementation of the sustainable land management approach.**
- Opportunities for **external grant funding** will continue to be sought.



Equalities and Climate Change

- The review recognised the potential for gender inequality and the need to remove barriers to diversity
- The Policy reflects a more open and inclusive approach to recruitment of tenants as a first step



- County farms estate is subject to the County Council's climate change strategy and targets
- The increased Policy emphasis on sustainable farming and environmental outcomes will support positive climate change outcomes

Summary and Conclusions



A fit for purpose Policy that:

- Retains farming at its core
- Continues to support new entrants to the sector
- Reflects the increased emphasis on environmental outcomes and climate change
- Provides a forward thinking approach for the future of the County Farms service