

Questions on agenda item 7, Task and finish group report: smallholdings estate (county farms)

The following questions have been received before the identified deadline (Thursday 22 October 2015, 1.00pm)

Question	Subject to a question being considered relevant to the report, a response has been provided below
<p>Question 1, from C Smith:</p> <p>I would like to ask a question regarding Recommendation 5 from the report:</p> <p>Would it be the council's intention to cancel all existing AHA contracts and replace them with FBT's, and subsequently expect the affected tenants to be responsible for the 'full repairing and insuring' of the properties as they now stand ie in substantial disrepair?</p>	<p>Response to question 1:</p> <p>No, this would not be the Council's intention, and it is not legally possible without the agreement of Landlord and Tenant.</p>
<p>Question 2, from Ian Salmon:</p> <p>Why has the task and finish report on the County Farms after such in-depth research come up with two opposing recommendations?</p> <p>Question 3, from Ian Salmon:</p> <p>Why has no other part of the council's property portfolio been called to account and subjected to such a thorough and rigorous investigation by the General overview and scrutiny committee?</p>	<p>Response to question 2:</p> <p>The two options reflect the common opinion formed across the task and finish group that the shape and organisation of the County Farms could not remain as they are currently. Having considered all the evidence gathered, there was a divergence of views on the main conclusion with the task and finish group resolving to select two options for the General overview and scrutiny committee to consider in advance of making recommendations to Cabinet. However, there was broad agreement on the remaining recommendations which follow from the two options proposed.</p> <p>Response to question 3:</p> <p>The other areas of the council's property portfolio are subject to review. For example, the schools capital investment strategy has previously featured in the committee's work programme as has the corporate accommodation strategy which will be under review again in the Spring. Please refer to the draft work programme 2015/2016</p>
<p>Question 4, from Clare Greener, NFU:</p> <p>Can the committee appreciate just how strategic an option recommendation 1a could be in terms of the county's contribution to the agricultural sector? County farms represent only 3% of the tenancy sector and yet accounted for 36% of all new fully equipped holding agreements. Does the committee not agree that this could make a significant impact in a county such as Herefordshire where agriculture contributes 9% to GVA as opposed to the national figure of 1%?</p>	<p>Response to question 4:</p> <p>The task and finish group recognised the importance of the agricultural sector in Herefordshire, however, the evidence was less tangible when it came to identifying the economic significance of the Council owning and managing a Farm Estate by comparison to any other landlord. The task and finish group also had regard to the changing nature and scale of the broader farming industry which has a far greater impact on the overall scale and productivity of the agricultural economy. The</p>

Question 5, from Clare Greener, NFU:

How does the committee feel that recommendation 1b can demonstrate an optimisation of returns to the authority? While a sale of the estate may produce a one-off financial windfall, it does not demonstrate prudent management of publically owned assets especially at a time of low interest rates on borrowings. Nationally there is pressure on agricultural land in particular for the building of houses. Indeed in Herefordshire there was a 4% (8078 hectare) decline in farmed area between 2007 and 2010. As the drive to increase housing stock increases and as the drive for land for energy crops develops, the demand for land will increase and capital value will demonstrate a recovery. Does the committee not feel that a sale of the estate at this time would demonstrate poor financial judgement in potentially selling at a loss given the current market conditions?

Question 6, from Clare Greener, NFU:

Does the committee not believe that strategic, active and professional management of the estate offers a more financially prudent approach which will achieve not only increasing revenue return but also capital growth?

Question 7, from Clare Greener, NFU:

It is offensive to suggest that there has been an annual subsidy per tenant of £58,000. Does the committee not believe that the current deficit position of £2.63 million is the result of poor management of the estate over a considerable period of years especially given that other authorities with county estates do not currently find themselves in the same position?

task and finish group did, however, identify some areas where the County Farms could focus to secure more significant benefits to the wider community including through educational visits or diversification around eco-initiatives.

Response to question 5:

The task and finish group understands that there is far less certainty in the sector regarding the future scale and pace of Agricultural Land Values, however, the task and finish group did not consider that a full or partial sale at the current time would represent a financial loss to the Council taking into account the historic growth in land values. A partial or full sale of the County Farms would be undertaken with the benefit of specialist advice to secure best value with the funding released supporting the Council's financial position within the MTFS although the task and finish group did have differing views on the options around a full or partial sale.

Response to question 6:

The task and finish group did not reach unanimous agreement as to the most financially prudent approach to recommend except to say that the returns on Capital invested were low within the context of relatively low returns across the tenanted sector nationally which appear to be in the region of 1% - 2%. Whilst predictions on future Capital growth were not possible it is also the case that the MTFS has identified the need to respond to significant and current financial pressures.

Response to question 7:

The financial model sought to explain the Opportunity Cost of retaining the county farms estate as it stands and the review report highlights the task and finish group's shared view that the current policy for the awarding and management of farm tenancies did not provide an appropriate framework through which to manage County Farms. However, the specific financial circumstances of Herefordshire Council are also a consideration that will be taken into account by Cabinet in coming to a decision on the future of the County Farms.

<p>Question 8, from Clare Greener, NFU:</p> <p>Does the committee not agree that recommendation 1a which supports a restructured county estate is the only option which will achieve delivery of the report vision to enable new entrants into the farming sector and facilitate optimisation of returns to the authority?</p> <p>Question 9, from Clare Greener, NFU:</p> <p>Please can the committee clarify that recommendation 5 is referring only to new farm business tenancy agreements and if a full repairing and insuring clause is introduced this will be reflected in the rents agreed?</p> <p>Question 10, from Clare Greener, NFU:</p> <p>The NFU strongly believes that a restructured estate can provide increasing benefits to the farming and wider community, local economy and ongoing income for the authority. To achieve this from a slightly reduced but more viable estate; reorganisation of the remaining farms into a more progressive and commercial entity will be required to use the asset to best advantage. Does the committee agree that the outcome of the questionnaires completed demonstrated that there is a willingness and desire to achieve this by most stakeholders and tenants which will be hugely supportive to the authority?</p>	<p>Response to question 8:</p> <p>General overview and scrutiny committee will be considering both options 1a and 1b in forming a view on any recommendations being made to Cabinet, as decision maker.</p> <p>Response to question 9:</p> <p>Recommendation 5 is specifically referring to new Farm Business Tenancies; all new rents under such tenancies would be set in accordance with prevailing market rates and any County Farms policy applicable at the time.</p> <p>Response to question 10:</p> <p>The summary of the questionnaire responses are appended to the task and finish group report and reflect positive engagement in the debate regarding the future options for the smallholdings.</p>
<p>Question 11, from Tim Lane:</p> <p>Does the committee realise the true value of the farms considering two thirds would not become vacant for many years?</p>	<p>Response to question 11:</p> <p>The task and finish group are aware that the Council, as landlord, has specific obligations according to the type of tenancy in effect on each farm. In recognising this, task and finish group members were keen to ensure that any partial or full disposal of the County Farm estate should be structured in a way which took account of appropriate expert advice in achieving best value.</p>
<p>Question 12, from Giles and Mary McQuiston:</p> <p>Point 5.6 The backlog of maintenance costs of 2.8 million can you provide a breakdown of this cost?</p>	<p>Response to question 12:</p> <p>This is split about 60% of the cost for the houses and 40% for the buildings. The figure does include some cost towards improvements. The working group received the main figure and it would not be possible for reasons of commercial confidentiality to highlight individual property backlog maintenance items.</p>

Question 13, from Giles and Mary McQuiston:

Point 5.12 Can you explain how you get to the average annual subsidy per tenant of £58000 pounds?

Question 14, from Giles and Mary McQuiston:

Point 5.44 Do Councillors not have other forms income?

Question 15, from Giles and Mary McQuiston:

Point 5.46 The reports questions the size of the farms to be economically viable would it not be true to say that if a tenant is paying his/her rent and making a living that it is viable?

Question 16, from Giles and Mary McQuiston:

In recommendation 3 what are your recently imposed legislative obligations?

Question 17, from Giles and Mary McQuiston:

Point 5.17 you state that a priority is for residents to lead fulfilling lives and be independent, so how can 45 independent hard working tenants count for very little?

Response to question 13:

The Opportunity Cost Model calculation is summarised in paragraphs 5.9 to 5.12 of the Report and the figure of £58k highlighted in paragraph 5.12 was arrived at by dividing the net deficit figure of £2.63m per annum for 2014/15 by 45 (the number of County Farm tenants).

Response to question 14:

The analysis was made in the course of considering questions on what constituted a viable farm for the purpose of securing greater levels of progression.

Response to question 15:

Please refer to previous answer at Question 14.

Response to question 16:

Electrical tests: Dwellings – every 10 years, Buildings every 3 years and having to respond to changing legislation.

Legionella inspections: Risk assessment every 2 years and a monitoring visit every 1 year.

New 2015 regulations in regards to construction, design and management (CDM)

Asbestos: Ongoing liability and increasing costs to landlords and contractors.

New legislation in 2015 in regards to smoke alarms and carbon monoxide alarms.

New legislation in 2015 in regards to domestic fuel storage inspections.

Response to question 17:

The report of the task and finish group does not constitute a decision in relation to the future of the County Farms Estate but seeks to inform the executive on options/recommended actions to ensure the Council is optimising its return from its County Farms estate.

Resources are limited; therefore the Council must seek to act in the best interests of all the residents of the county. It must also ensure it is obtaining the best value from its resources to maximise and sustain the delivery of its statutory functions across the county.

Question 18, from Giles and Mary McQuiston:

What help is going to be available to the farming community on the council farms with regards to their worries and concerns for their uncertain futures?

Question 19, from Giles and Mary McQuiston:

The County Estate has been in the hands of the council for 100 years and in its time has delivered a valuable service to the agricultural sector of the county. The capital asset is paid for so would you not agree if there is a financial liability this is down to poor management of the estate? Wouldn't the committee also agree that this could be rectified with strategic vision and drive?

Response to question 18:

The Council will ensure that following any Cabinet decision regarding the future of the County Farms Estate there will be opportunities for individual tenants to meet with Estate Officers to discuss any concerns and understand next steps. A Communication Strategy will be developed which will outline the approach to future engagement and will include information on the help and assistance that will be available from a range of sources.

Response to question 19:

Recommendation 1 Option (a) sets out an approach which allows for the retention of a smaller, managed estate through structured rationalisation together with progressive management and the current policy review.