

MINUTES of the meeting of General Overview & Scrutiny Committee held at Council Chamber, The Shire Hall, St Peter's Square, Hereford, HR1 2HX on Tuesday 27 October 2015 at 1.00 pm

Present: Councillor WLS Bowen (Chairman)

Councillors: JM Bartlett, MJK Cooper, CA Gandy, J Hardwick, DG Harlow, EPJ Harvey, JF Johnson, AJW Powers, NE Shaw, EJ Swinglehurst, A Warmington and SD Williams

In attendance: H Bramer (Cabinet Member, Contracts & Assets), TM James, AW Johnson (Leader of the Council and Cabinet Member, Corporate Strategy & Finance), RI Matthews, PM Morgan (Deputy Leader of the Council and Cabinet Member, Health & Wellbeing) and PD Price (Cabinet Member, Infrastructure)

Officers: B Baugh (Democratic services officer), H Beale (Estates management officer rural land), D Burgess (Deputy solicitor to the council property and commercial), R Gabb (Programme director, housing and growth), T Featherstone (Head of corporate asset management), G Hughes (Director for economy, communities and corporate), G Thompson (County land agent), and S Tweedale (Electoral services graduate trainee).

32. APOLOGIES FOR ABSENCE

Apologies for absence had been received from the committee's education co-optees (Mr. Burbidge, Mrs. Fisher, Mr. Fuller and Mr. Sell).

33. NAMED SUBSTITUTES

No substitutions were made.

34. DECLARATIONS OF INTEREST

No declarations of interest were made.

35. MINUTES

The minutes of the previous meeting were received.

RESOLVED: That the minutes of the meeting held on 30 September 2015 be approved as a correct record.

36. SUGGESTIONS FROM THE PUBLIC

Referring to an email reproduced within Supplement 1 to the agenda, the Chairman wished to thank Mr. McKay for his continued interest. It was noted that a briefing note had already been issued to committee members about Public Rights of Way and that a response to correspondence was requested at the last meeting (minute 26 refers). The Chairman acknowledged that officer time and resources were finite but requested that a definitive briefing note on the various matters raised by Mr. McKay be prepared and circulated by the middle of November 2015.

37. QUESTIONS FROM THE PUBLIC

The Chairman drew attention to the questions and responses provided within Supplement 1 to the agenda. Members of the public, particularly county farm tenants and the NFU, were thanked for their questions which provided useful context to inform the debate; in view of the number of questions received, supplementary questions were not taken at this meeting. The Chairman advised that further questions had been received after the identified deadline and these would be responded to as soon as possible following the meeting.

38. TASK AND FINISH GROUP REPORT: SMALLHOLDINGS ESTATE (COUNTY FARMS)

The Chairman presented the task and finish group report on the smallholdings estate (county farms) with the following statement:

“It is my duty here as Chairman of the task and finish group to present the general overview and scrutiny committee (GOSC) task and finish group review of the council’s smallholdings estate – referred to as the county farms.

This review is an example of the GOSC in its forward looking role which is, I believe, as important as its duty to look back and scrutinise what had already taken place.

I am sure you have read, very carefully, the results of our labours.

I would like to thank publically my fellow councillors on the task and finish group and our supporting officers: Richard Gabb, Helen Beale, George Thompson and Ben Baugh. They have all worked very hard and with great good humour. It has been a pleasure working with you all and I thank you for your diligent input and determined questioning.

Not everyone in Herefordshire knows about our county farms but, for a hundred years and more, they have been an important part of the county’s involvement in agriculture. However, in these straightened financial circumstances, GOSC was tasked with carrying out an in depth scrutiny of the county farms – Were they still doing their job of being a way into farming in a small way and leading to bigger farms if possible? Were they fulfilling the core needs and priorities of the council? Could their structure and management be improved? And so on. We also looked carefully at costs and returns from the county farms.

The results of our deliberations are before you. I must also point out that about half of our county farm tenants are on lifetime or retirement tenancies which must be taken into account. Another point is that any sales of county farms are going to cost quite a lot to market and sell and this should be considered in our deliberations. It also has to be said that the county landholdings have increased hugely in value, with land at about £10k an acre these days.

Remember, once an asset like county farms are sold, they are gone forever. If any sales are made one would hope that any money gained would go towards assets that would help sustain the county in its statutory and key duties.

We must also remember that farming has been the lifeblood of Herefordshire and our county farms have been an important, if quite small by acreage, part of our agricultural heritage and daily background.

We are also dealing with the lives and livelihoods of 45 families. We have duties to them as well – as we have been very mindful to point out in our recommendations.

I now look forward to listening to your debate on the matter of the county farms and hope that the recommendations put before you can be sent to Cabinet for their decision. I trust they will act wisely and only come to a decision after very careful deliberations.

I think, above all, our county farm tenants are looking for a clear decision, whatever it is, so that the uncertainty which has been plaguing their lives recently can be resolved and they can plan their future.”

The Chairman invited comments from committee members.

Referring to the Cabinet review of the smallholdings estate strategy in 2009, a committee member considered that the council had been in denial about the scale of the problems. The member said that correspondence received by members from the Chief Executive of the Tenant Farmers' Association suggested that the estate had underperformed and underachieved in recent years, with the management of the estate not subject to sufficient scrutiny. The member considered that these matters highlighted why the authority should not be involved in the management of smallholdings going forward. The committee member also commented on:

- a. the lack of progression beyond the estate;
- b. the capital growth in the value of agricultural land;
- c. the average age of tenants;
- d. smallholdings could not necessarily provide a good standard of living or opportunities for progression;
- e. the significant backlog maintenance liability meant that some tenants were living and working in substandard buildings;
- f. the rental income did not offset expenditure and, when opportunity cost of land value was taken into account, there was a net deficit position in the region of £2.63 million per annum which could be perceived as an average annual subsidy per tenant of £58,000;
- g. it was questioned whether the council would wish to acquire a county farms estate if it did not already own the land, whether it would subsidise other businesses to the same extent, or whether it would invest in a struggling private farm; and
- h. the need to balance the budget would put pressure on the services most valued by rural communities and it was not considered that the continuing financial drain of the estate could be sustained.

A committee member asked that her name be removed from the composition of the task and finish group as, apart from involvement in an early scoping meeting and site visits, she could not attend on the scheduled meeting dates and no alternative dates were offered; the Chairman said that it had been necessary to accommodate the majority of group members. The committee member commented that:

1. some of the council's land holdings were adjacent to some of the proposed new road routes and housing developments and it was apparent that funding was needed to take forward some of the administration's infrastructure plans;
2. it was understood that any capital raised from the disposal of smallholdings could not be used to pay for services directly;
3. it was considered a pity that a backlog of maintenance had developed;
4. farmers would buy land if they could afford to do so given the finite supply;
5. referring to paragraph 5.19 of the report, the estimate that 'Agriculture contributes 9 per cent to the county's economy' was disputed given the linkages to food and drink production and related haulage, engineering and other industries (it was suggested that the figure might be in the region of 40 per cent);

6. farming was a huge part of what made Herefordshire special, not just in terms of the landscape and tourism benefits but also for the manufacturing economy too; and
7. the council needed to think very carefully about how assets might remain partially or wholly in public ownership but this had not been reflected in the group's report.

A committee and task and finish group member said that the purpose of county farms was to introduce new generations of young farmers into farming and the council needed to consider whether this objective was being achieved. The member commented on a number of matters, including:

- i. it was likely that the majority of holdings would remain as agricultural land if ownership changed;
- ii. he did not consider that there was strong evidence for the assertion that county farms contributed to the local economy and community to a greater extent than private farms;
- iii. in view of the backlog of maintenance, he did not consider that the council was a good landlord and felt that tenants would benefit from a new landlord;
- iv. it was difficult to make a living out of holdings of 100 acres or less and, with many farmers needing to take employment outside the farm and work long hours;
- v. the purpose of the task and finish group had been '*To inform the executive on options/recommended actions to ensure the council is optimising its return from its smallholding estate*';
- vi. the issue of county farms had not arisen in discussions with constituents and many were more concerned about limited opportunities for young people in the county;
- vii. he felt that the committee should consider recommending the sale of the entire estate at the best possible price;
- viii. a large amount of capital value was concentrated on 45 families currently and many residents would question whether this was appropriate;
- ix. whilst being proud of the county's agricultural history, the council needed to move forward and encourage investment in infrastructure to benefit all residents.

The Chairman commented that the task and finish group recognised that maintaining the status quo was not an option.

Another committee and group member said that the group had benefitted from officer expertise and the failure to implement all the recommendations identified in the 2009 report was due to subsequent policy changes. Other comments made by the member included:

- a) the backlog of maintenance had to be viewed in terms of short, medium and long term priorities and this had not come out very well in the report;
- b) it was difficult to quantify the value of the county farms to the local economy but it was undisputed that a significant proportion of the county's economic activity was related to agriculture and tourism;
- c) county farms had the potential to contribute to wider economic, environmental and social objectives;

- d) the two options in recommendation 1 reflected the separate streams of thought within the group about how to go forward but the member supported the retention and structured partial sale of the estate, option a);
- e) there was a lot of work to be done to rationalise the remaining estate but, as other authorities had shown, this could be achieved and it would enable the council to retain a major asset for the county within its control and provide more options for the future; and
- f) whilst acknowledging that some elements could have been developed further, it was considered that a good report had been produced and there was a role for county farms. The Chairman added that the group had been constrained by the timescale available to produce the report.

A committee member commended group members for the report and made the following observations:

- 1) there was a need to understand the financial implications of retention;
- 2) referring to remarks in the Chairman's foreword, it was noted that 'the original objectives are no longer relevant' with the authority needing to focus on the delivery of statutory responsibilities and 'using the asset to the best advantage of the county must be paramount to our thinking';
- 3) the county estate, at approximately 4,800 acres and 1% of the total farmed area of the county, was not considered significant in terms of the wider agricultural economy and there were other means of entry for young people into farming;
- 4) it was noted that there had only been four new entrants into the county farms estate in the last ten years; and
- 5) the member considered that the council should withdraw from ownership and release the county farms to the private sector to enable them to be reformed into more productive and economically valuable areas.

A committee member acknowledged the number of tenants and their families that were present at the meeting and said that this demonstrated that it was more than an emotive issue, as it was also about their livelihoods and belief in the system. Comments were made about the correspondence received by members from the Chief Executive of the Tenant Farmers' Association and the lack of improvements following the 2009 review. He reminded the committee that the council did own the land and had a long term responsibility for the situation it had inherited.

In response to comments from a committee member, the County land agent clarified a number of points, including:

- i) the 2009 review envisaged various things but land was needed to achieve these and the authority was bound by the tenancies and tenants in place;
- ii) an overview was given of the limited circumstances in which Agricultural Holdings Act tenancies could be ended;
- iii) the average age of tenants had not come down much since 1991;
- iv) many tenants on Farm Business Tenancies (FBTs) had tried to move off the estate onto private and other public sector farms but, for a considerable number of reasons including demand for land from established farm businesses, onward progression was very difficult to achieve and this resulted in blockages on the estate;

- v) the size of individual holdings had been increased and the overall number had reduced from 58 to 45 in order to make them more viable but this had not significantly improved turnover;
- vi) a number of farms had become vacant in the last few years but changes could not be realised because of uncertainty about the future of the estate; and
- vii) there had been approximately the same amount of expenditure, around £150k, on the maintenance of the county estate in every year since 1998 and the move from local contractors to larger companies had reduced cost effectiveness.

A committee member considered that the analysis of the problem undertaken by the task and finish group was largely good and correct but he was less sure about the diagnosis about what should be done next and about the conclusions that had been drawn. Comparisons were made to the estate held by Staffordshire County Council which had been retained, improved and was performing better than Herefordshire's estate. It was also commented that Devon County Council had improved its credit rating due in part to enhancements made to its estate. It was felt that the group had been 'set up to fail' but the experiences of other authorities confirmed that it was a matter of choice whether assets were maintained and improved.

The committee member drew attention to paragraph 4 of the covering report, 'The medium term strategy approved by council in February 2015 assumes £60m of asset sales to reduce debt charges...'. The member sought clarification about the intended use of any capital receipts realised from any disposals. In response, the Leader said that it would not be appropriate to speculate at this stage about what the council might do about future income, as it would depend on the circumstances at that time. The Director for economy, communities and corporate added that the statement in the covering report reflected the position at the current time but, through the budget setting process, it would be for members to determine the future year's budget.

A committee member did not consider that the report had demonstrated how net income could be improved for the county to an extent that justified the retention of the estate. Comments were also made about: the difficulties for tenants on short term FBTs to make a return on any investment; the capital costs of diversification; limited profitability hindered opportunities for progression; the authority had to be mindful of the wellbeing of tenants and it would be wrong to promote the county farm model if it did not provide viable opportunities for progression; and it was essential that proper arrangements were put in place to support tenants appropriately through any transition of ownership.

A councillor in attendance made a number of comments, including: existing tenancy agreements meant that full market value could not be delivered in the short term; the objective of progression could be achieved through option a) and dynamic management of the estate; other authorities had retained and successfully improved their holdings; agricultural land prices were stabilising and disposal at this time might not achieve the best outcomes for the county; there would be no way of obtaining the asset again if it was sold; it was considered that a decision of this scale should be made by full Council rather than by the executive; it was asserted that the authority was subsidising other areas of activity, including the cattle market; a letter written by the councillor to the Hereford Times about the benefits of retaining the estate was read out; and, given the potential demands on food supplies in the future, it was considered that the authority should continue to support the agricultural industry in the county.

Another councillor in attendance expressed views on various matters, including: the estate had been established a century ago for specific purposes and the authority had a moral duty to retain and improve it; the financial circumstances of the council were considered to be the result of administration failings; tenants and the families worked

very hard and selling the estate would be an insult to them; and other farmers were appalled about the potential disposal and the authority would be strongly criticised for it.

A committee member said that Herefordshire was renowned for its agriculture and there was a need to take a long term view about food production and sustainability. It was noted that tenants acknowledged that there was scope for some holdings to release capital to support the authority's financial position but it was considered essential that the authority tried to retain the majority of the estate in public ownership.

The Leader did not consider that any change of ownership would result in the cessation of food production. He commented on the significant capital required to start a farming business compared to a century ago and the difficulty to make a living from holdings of less than 100 acres. The need to use the asset to the best advantage of the county was reiterated and it was not considered that the general public would support the retention of the estate to support a small proportion of the population. Responsibilities towards tenants were recognised but, even if it was in a better financial position, the council had to ensure that assets were used for the benefit of the majority of residents.

In response to a query from a committee member, the Chairman proposed an amendment to recommendation 5.

A committee and group member made further observations, including; many buildings visited by the group were in a poor state of repair and a change of ownership would benefit the farms; some of the responses to the group's questionnaire supported this view; there were other ways into farming and the county farms might be preventing movement; and, whatever option was pursued ultimately, the authority needed to be mindful of the impacts on tenants and their families.

In response to a question from the Chairman, the Deputy solicitor to the council property and commercial said that she was not aware at this time of any ties on the council's ownership of the land but this would need to be checked for each holding.

A committee and group member made the following further comments: it was acknowledged that farming was changing and there was the potential for county farms to provide the foundation for agricultural businesses, rather than solely generating a living from that holding alone; the recommendations of the 2009 review had not been obstructed by the officers delivering the service; the estate had problems but other authorities had successfully restructured their holdings; and the county needed growth, jobs and infrastructure but in a realistic and balanced way which could be afforded and preserved the uniqueness of the county.

A councillor in attendance considered that option a) provided flexibility to the executive to realise capital from land with potential development value, whilst retaining a sizeable proportion of the estate for the benefit of farming in the county.

A committee and group member said that value for money was foremost in his thoughts throughout the review and he did not consider that this was being provided through the county farms currently.

Another committee and group member did not consider that the structured sale of the entire smallholdings estate could be effective at this moment in time, particularly in view of current market conditions. It was moved and seconded that option a) be supported and option b) be deleted from recommendation 1.

The motion received an equal number of votes and the Chairman used his casting vote in favour of the motion.

RESOLVED: That

- (a) **That the report and recommendations of the task and finish group: smallholdings estate (county farms) be agreed for submission to the executive subject to:**
- i. **the removal of Councillor Harvey's name from the group's composition (page 3 of the report);**
 - ii. **the deletion of option b) from recommendation 1 (page 13); and**
 - iii. **the removal of the words 'on the remaining estate should be let' from recommendation 5 (page 14).**
- (b) **The executive's response to the review be reported to the first available meeting of the committee after the executive has approved its response.**

39. WORK PROGRAMME

An updated work programme was submitted for consideration. The Chairman drew attention to the following:

- i. To enable the committee to consider housing related items and to receive an item on the Local transport plan, it was proposed that an additional meeting be held on Monday 7 December 2015.
- ii. The Chairman was due to discuss the Community infrastructure levy (CIL) with officers to identify the best way forward in terms of further scrutiny input.
- iii. An all member seminar, to be led by the scrutiny chairs, was being arranged towards the end of November on the Devolution offer.
- iv. A seminar was being arranged for members of the committee in December to include presentations on the Accommodation strategy and on Digital strategy.

A committee member asked that, as chair of the previous phases of the CIL task and finish group, she be involved in the Chairman's discussions with officers as referred to in paragraph ii) above.

RESOLVED: That

- (a) **The draft work programme be noted; and**
- (b) **An additional committee meeting be arranged for Monday 7 December 2015 at 2.00pm.**

40. DATE OF NEXT MEETING

The Chairman advised the committee that the next scheduled meeting would be held on Tuesday 17 November 2015 and outlined the arrangements.