

## **HOLYFIELD HALL FARM OPERATIONAL REVIEW**

Presented by the Head of Parklands

### **EXECUTIVE SUMMARY**

Authority Officers, with the support of external consultants, have been reviewing the business operations at Holyfield Hall Farm in response to its direct exposure to world events and the phasing out of current European Farming Subsidies (BPS).

As such, this report focusses on current operational aspects, its inherent risks with proposed changes and improvements. The proposed changes safeguard the business and bring financial confidence to the future operations that Holyfield Hall Farm delivers for the Authority, whilst also enhancing the conservation grazing and allowing an adaptability to changing environmental schemes the Government may introduce.

### **RECOMMENDATIONS**

- Members Approve:
- (1) conversion from Dairy herd to a Suckler herd;
  - (2) subject to (1) above amendments to the Authority's capital programme as set out in paragraphs 20 & 21 of this report; and
  - (3) subject to (1) above amendment of the Authority's revenue budget for 2023/24 as set out in paragraph 19 of this report.

### **BACKGROUND**

- 1 Holyfield Hall Farm (the Farm) has been owned and directly managed by the Authority since 1976. Its 500 acres (200Ha) are managed as a mixed farm supporting a milking herd, livestock and arable operation. The Authority owns circa 4,500 acres of land including many areas of parkland open to the public. The Farm also then provides grazing animals, which are important in the ongoing management of nature conservation sites within the Regional Park, while providing alternatives to the Grounds Maintenance contract allowing areas to be reduced which has produced cost savings.
- 2 Over the last decade the Authority has invested in the Farm: £150,000 on a

photovoltaic (PV) system; and £25,000 on pasteurising plant and milk vending. A further £300,000 is currently allocated from the capital programme, for further investment in new slurry storage, replacement bulk tank and new calf barn.

- 3 The financial performance of the Farm has been quite turbulent over the last 10 years with the forecast for the current year being a net deficit of £38,600, the average deficit for the most current 5 years is £45,400.

This improved position is in part down to the hard work of the Farm team plus efficiencies where possible. However, changes in world markets are making both dairy and arable businesses struggle to make any profit.

- 4 Officers believe the Farm is an important component of the Authority's land management function and that improvements can be made in the Farm's financial performance that would require minimal changes to staff structures and operational methods. The current farming payment options is an ever changing scene. Payments such as our Basic Payment scheme which is EU funded has been removed. Higher Level Stewardship again EU funded is being phased out so the Government is drawing up new schemes, but these are as yet undefined, This change in the funding regime along with the direct exposure to world events informed the decision to engage a consultant to look at various options and undertake a comprehensive review.
- 5 The review looked at all of the Farm operations and resourcing and advised whether the Authority was getting the most out of this enterprise in financial terms. The review outlined what changes/options might be available to make the Farm more robust and financially resilient and guided the decision on the way forward.

## **CURRENT OPERATION**

- 6 The Farm currently employs two fulltime members of staff plus an apprentice. The Herdsman is a further member of staff and is employed via a contract with LKL Services Limited (the country's largest dairy farming recruitment agency) rather than directly with the Authority as recruiting direct into this role has proved challenging over a number of years. The apprentice position is currently vacant. The Farm has three tied houses and a static caravan for the staff. One house is currently unoccupied.
- 7 The dairy unit consists of 110 Holstein/Friesian dairy herd, with each cow producing 9,000 litres of milk on average per annum which is sold to Arla. This is slightly above the national average of 8,090 litres per cow per annum and the maximum which can be attained without compromising the herds health and fertility. Arla have given permission for 10% of our production to be used to supply our vending operation without penalty. The current price we receive from Arla per litre is 0.44p (as at 1 March 2023). Part of the dairy unit produces animals for beef supply, which is currently 160 beef units sold per annum at 15 - 20 months of age.
- 8 The arable enterprise consists of 190 acres of cereals (average 2.5 tonnes per acre over the last 5 harvests, Barley and Wheat combined), and in 2022/23 this will produce an income of £50,000. This current figure is below national averages but in line with other local averages in the area. This is in part due to soil conditions which will be improved in the new model and the variable weather encountered over the past few seasons. The arable enterprise also

produces crops for the dairy unit for feed: 80 acres of maize silage; 140 acres of grass silage; 80 acres of Higher Level Stewardship (HLS); plus straw from the cereals to use as bedding.

- 9 The Farm also has 35 acres of good quality grazing land and a further 300 acres of poorer quality grazing which are mainly used as conservation sites.
- 10 To support all of these operations the Farm has various operational buildings which consist of a modern dairy building, modern workshop and grain barns, modern and older beef units (smaller calves barns.) The PV cells are located on the barn roofs where possible.
- 11 The Farm is in higher level stewardship which is an environmental enhancement scheme. The current agreement is due to expire in November 2023 and as these schemes are in the process of change we are looking at the best way forward to maximise allowed grants for the Authority.
- 12 The Farm also currently houses the North Ranger team and all of its kit, which means the Authority does not need to provide alternative accommodation, as well as a small area which is leased to our Fisheries Management Agents. The Farm staff and equipment also provide additional out of hours support for Park incidents and emergencies.

#### **SCOPE OF THE REVIEW**

- 13 Officers have been working with Douglas Green Consultant Ltd who were asked to undertake a full review of the Farm's operations, with the aim of improving the Farm's financial performance to enable it to be less affected by world markets, if possible. This included:
  - areas for performance improvement;
  - staff structure changes if appropriate;
  - alternative management/delivery vehicles;
  - comparison between continuing to manage in-house against leasing the Farm out to other operators, either fully or partially;
  - review efficiency of the current arable/dairy/beef operations;
  - equipment and renewal, in line with any suggested changes to operations and efficiencies this might bring; and
  - outline any suggested investments needed to make a positive impact and greater financial returns.

Following the review Douglas Green Consultant Ltd provided 3 options to investigate further, these were:

1. keep the status quo and press on with dairy / slurry investment, beef and arable operation;
  2. increase dairy herd numbers in addition to the first option to spread the costs across greater cow numbers and thus milk/beef production; and
  3. dispense with the dairy operation, replace the dairy herd with a suckler beef herd to focus on the beef operation, and adjust the arable operation to best utilise the potential new enhancement schemes.
- 14 Following further investigation and in no large part due to the massive direct impact borne by the dairy operation to fluctuations in world markets the

consultant recommendation shows that the best operational option for the Farm is to dispense with the dairy and concentrate on a beef suckler herd. Market prices on beef over the past few years have remained constant and the market is envisaged to remain so for as long as markets predict.

The beef suckler herd will be Hereford based. We had already started crossing our dairy heifers with a Hereford bull. A second bull would be required. The herd would consist of 120 head of cows, the young will be the ones that replace the cows and provide the beef sales. This method of cattle management is less intense than the current dairy unit, with the cows having a longer and less intensive life cycle. The cattle would be outside longer and be free to graze the paddocks around the Farm and the areas across our land holdings. Herefords are better suited to this form of grazing and do better than the current dairy cows.

- 15 The rationale behind this is that the Authority will have greater control and security of its business when it comes to price fluctuations in world markets and a better control and ability to diversify in the future on the back of changes to farming landscapes with the removal of European grants. In turn this will possibly see a financial return as well as enhanced environmental standards. Where appropriate Members will be consulted on the sign-up to any new Government schemes when they become available. The new Farm operation will build upon and further enhance the Farm's current excellent standards.
- 16 **There are a number of further advantages to the Authority as follows:**
- less specialised staff are required which should assist future recruitment;
  - a reduction in the number of staff to run the business;
  - less residential accommodation will be required allowing other options for the vacant accommodation;
  - the funds of £300,000 currently set aside in the capital programme for Farm works, can be released to be used on other projects within the Park;
  - less energy will be consumed by the Farm as the milking unit will not be used; and
  - possible local markets for the beef

#### **WIDER BENEFITS FOR THE PARK FROM HOLYFIELD HALL FARM**

- 17 Significant additional benefits and associated costs savings are provided to the Authority by the Farm, which has an inherent notional value. These costs are not accounted for elsewhere and is therefore a cost the Authority could face if the Farm operations ceased altogether.
- Nature Conservation Grazing valued at £80,000-£100,000 when using external price comparisons.
  - Provides secure storage for materials, equipment and machinery for Rangers, Biodiversity, Volunteers, Fisheries and the pumps for Lee Valley White Water Centre.
  - North Ranger base.
  - Enable delivery and handling of large or bulky items as the Farm has the

space and equipment to handle such items, for example the spare pumps for Lee Valley White Water Centre are stored there.

- Provides essential back up with agricultural equipment to help Open Spaces Management, traveller incursions and removal of vehicles, extra patrols, and 24hour on-site support.
- Due to sympathetic management the Farm is one of the best farmland bird watching sites in South East England with over 90 species recorded, 17 of which are on the high conservation concern list and 33 on the medium concern list.
- Butterfly surveys have yielded similar findings to the bird survey.
- Water Voles, a red list endangered species thrive in the ditches within the Farm following habitat creation and management. An Authority and regional Biodiversity Action Plan species.
- Liaison with other landowners, farmers and public helping to promote the whole Park and its venues and aims. Farm staff provide support and expertise in other areas e.g. engineering.
- Training venue for the Royal Vets College and regional agricultural colleges.

## **ENVIRONMENTAL IMPLICATIONS**

- 18 There will be environmental implications to operational changes to the operation of the Farm, these will be seen via the greater control and opportunity the Farm has to react to new environmental schemes that are realised. Where appropriate Members will be consulted on the sign-up to these schemes when they become available. The new system will improve the Farm's current excellent standards and is much less intensive and more in line with traditional farming methods.

## **FINANCIAL IMPLICATIONS**

- 19 There will be financial implications, both in terms of revenue and capital accounting, for the operational changes, although these are to the benefit of the Authority and give added security in the future against changes to world markets.

### **Revenue Accounting**

Figures below show the forecast positions of the Farm in its current operating model and also the new model as a comparison. It is worth noting here that BPS European Subsidies are being phased out and this will be the case in both working methods.

The wholesale price of milk is currently artificially high when compared to its long term average and forecast for the next year. We have received up to 50ppl over the last few months, although this price is starting to come down, and the Farm has just received a further cut to the milk price which came into effect 1 March 2023 which was the third cut since January 2023.

Costings below are shown using the current 44ppl as the price of milk, but this

is very likely to fall over future months back to an average of around 36ppl. An 8ppl fall will reduce income by £70,000 per annum.

The price of grain is also well above its long term average, and whilst there has been some downwards movement in prices recently, this is not falling in the same way that milk prices are. A movement away from having to purchase grain feed to one of producing the majority of our own, will also reduce our exposure to price risk.

#### Financial Comparison Year 1 (2023/24) and Year 5 (2027/28)

	2023/24 £000s	2027/28 £000s
<b>Dairy @ 44ppl</b>		
Income	(607)	(564)
Expenditure	689	734
<b>Net Deficit</b>	<b>82</b>	<b>174</b>
<b>Beef</b>		
Income	(260)	(279)
Expenditure	350	377
<b>Net Deficit</b>	<b>90</b>	<b>98</b>
<b>Net Change</b>	<b>8</b>	<b>(76)</b>

Due to not being able to maximise the beef income in the first year, the forecast is for a larger deficit than would be expected for a full year of operation. Appendix A to this report compares the next five year costs for dairy against a beef operation.

The cost of changing to a beef herd is forecast to a small deficit change to the 2023/24 budget, based on the price of milk remaining at the current level. A fall to 40ppl, which over the coming year is quite likely, will increase the dairy loss to around £115,000 and make the beef operation an even better option.

## 20 Capital Accounting

The usual accounting for the purchase and sale of livestock as part of the normal operation of the Farm would be that they are treated as revenue, and surpluses credited to the General Fund. With the disposal of the whole of the dairy herd, due to the fact that the dairy cattle are classed as a biological asset and reported in this way on the balance sheet, a significant sum in excess of £10,000 (the de-minimus limit as set out in Local Authorities (Capital Finance and Accounting) (England) Regulations) will result in a capital receipt, and will be credited to the Authority's Capital Receipts Reserve.

Along with the disposal of the remaining dairy machinery, this will form a total capital receipt estimated to be around £200,000. The dairy herd and ancillary equipment will be sold to other farms via auction.

These funds should be ring-fenced for reinvestment at the Farm, and the subsequent purchase of the Suckler Herd, as well as works on the conversion of the dairy, purchase of new plant, fencing works, and any further works identified whilst the conversion works are ongoing, will be directly financed

from this.

Once all works have been completed, and the operation of the Farm has been fully transferred to the beef enterprise, any remaining balance from the ring-fenced capital receipt should be transferred to the general Capital Receipts pool, to be utilised on future expenditure throughout the Park.

Use of the capital receipt to finance expenditure will remove the need to fund any of the Farm works from revenue.

A further £300,000 is currently allocated from the capital programme, for further investment in new slurry storage, replacement bulk tank and new calf barn. In the suggested new farm enterprises this money is not required so can be returned into the Park's capital programme to enable other Park projects.

## 21 Changes to the Capital Programme for 2023/24

	<b>£000s</b>
Capital Receipts	<b>(£200)</b>
Capital Expenditure	
- Suckler Herd *	£50
- Conversion of dairy	£45
- Plant (baler/spreader)	£50
- Fencing works	£10
<b>Total</b>	<b>£155</b>
Unallocated receipt balance	£45

\* expected as at February 2023 prices

## HUMAN RESOURCE IMPLICATIONS

- 22 The LKL Services Ltd contract that supplies the Herdsman will be terminated. One role within the team will be revised in the new structure with a restructure of roles to coincide with this, but there are no redundancies as a result of this change and no other human resources implications

## LEGAL IMPLICATIONS

- 23 There are no legal implications arising directly from the recommendations in this report.

## RISK MANAGEMENT IMPLICATIONS

- 24 By reverting to a suckler herd operation the Authority will have reduced the risk significantly in terms of the direct effect of changes in world markets based on events outside of its control and will be better placed to react to any changes going forward.

## EQUALITY IMPLICATIONS

- 25 There are no equality implications arising directly from the recommendations in this report.

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**APPENDICES ATTACHED**

Appendix A	5 year comparison
Appendix B	Map

**LIST OF ABBREVIATIONS**

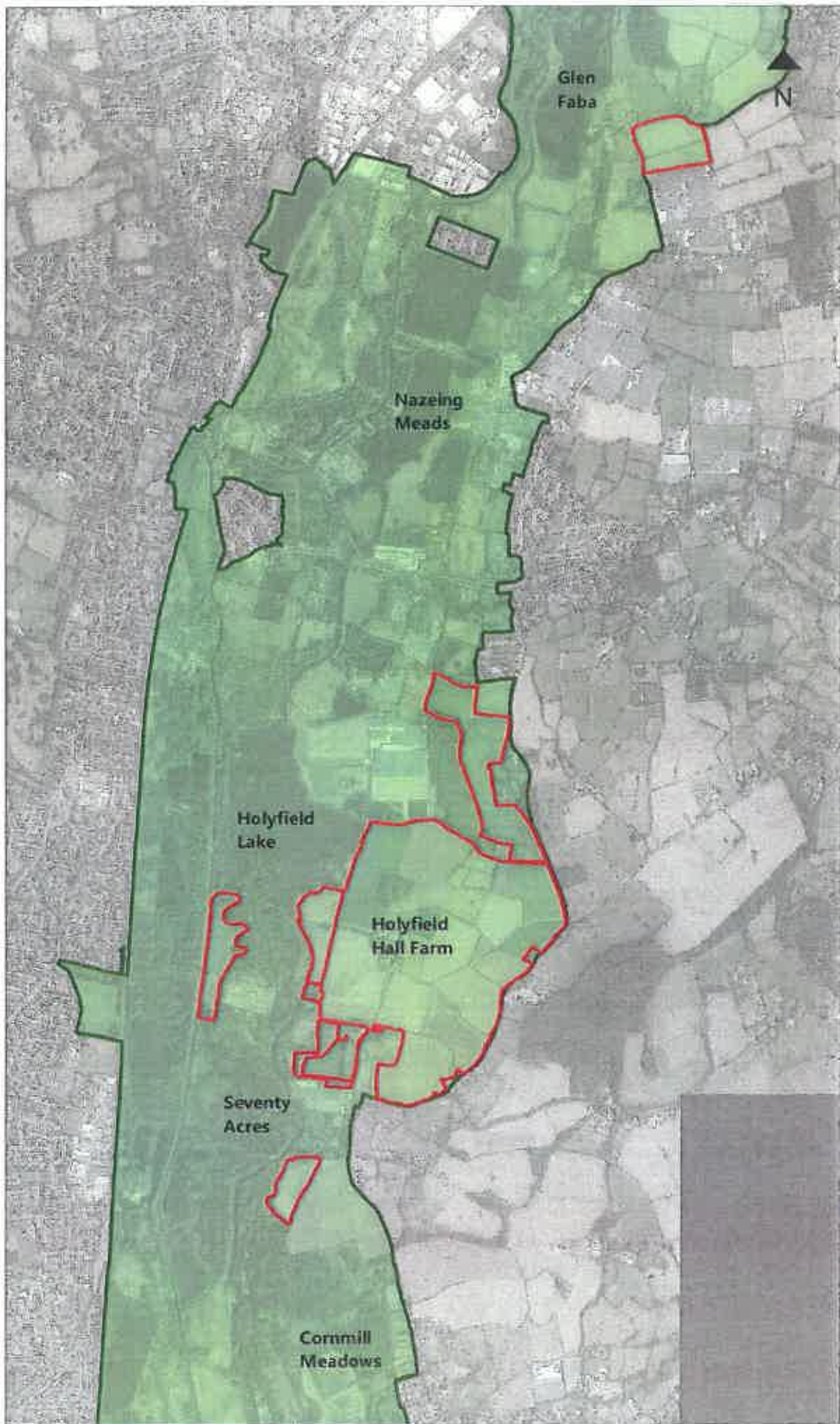
PPL	Pence Per Litre
the Farm	Holyfield Hall Farm
PV	Photovoltaic



## Holyfieldhall Farm

## Five Year Revenue Cost Comparison

	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Dairy Operation</b>					
Income (@ 44ppl)	-607	-593	-584	-574	-564
Expenditure	689	693	709	723	738
Net Deficit	82	100	125	149	174
<b>Beef Operation</b>					
Income	-260	-306	-278	-289	-279
Expenditure	350	346	350	359	377
Net Deficit	90	40	72	70	98
<b>Net Difference</b>	<b>8</b>	<b>-60</b>	<b>-53</b>	<b>-79</b>	<b>-76</b>
<b>Price Scenarios</b>					
<b>Dairy @ 40ppl</b>					
Milk Deficit	117	135	160	184	209
<b>Net Difference</b>	<b>-27</b>	<b>-95</b>	<b>-88</b>	<b>-114</b>	<b>-111</b>



Holyfield Hall Farmland



Not to Scale  
09.03.23

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