



DISCUSSION PAPER ON THE PROVISION OF RETIREMENT HOMES FOR FARMERS

with Bill Young, CEO Addington Fund

After discussions in the last year involving George Eustice MP Secretary of State for DEFRA and his senior team, his predecessor the Rt Hon Michael Gove MP now Chancellor of the Duchy of Lancaster along with House of Commons DEFRA Chairman Neil



Parish MP this paper outlines a proposed delivery mechanism for farmers who wish to retire but, in many cases, cannot afford to. The new Agriculture Act has outlined an innovative solution to this and the Addington Fund believe this document outlines a possible delivery mechanism which would hold up to public scrutiny and be acceptable to the UK taxpayer.

Background

If the figures are correct the average age of farmers has risen for the first time in 30 years from 57 to 59. The Government, in the new Agriculture Act which became statute in November 2020 has recognised this and for the first time put in provision for farmers who wish to retire and for many make a distant possibility into a reality. It involves giving the farmer the chance to draw down multiple BPS payments during the phase out period between 2023 and 2028 (exact timings TBC).

For many smaller farmers this will be an attractive proposition particularly for tenant farmers coming to the end of a three-generation tenancy or those who have no dependents who wish to farm.

Therefore, the possibility of having a farm sale, clearing all debts and coming out with a lump sum will give some farmers an opportunity they have never seen before. It will also be attractive to owner occupiers who have a high level of debts and could enable an exit strategy or redefine succession plans. Many farmers who will be attracted by this proposition will not have a private pension pot and will have made no additional savings for their retirement other than state pension. It is anticipated unofficially most payments will average between £50-£80k and have an cap of £150k.

There are several advantages to this proposed retirement scheme:

1. It will free up the farm to be farmed by someone with new ideas and perhaps a different approach.
2. This person could well be younger, be more energised or even a first-generation farmer who by nature often have different attitudes to risk and are prepared to try things differently and may generate more profit.
3. It could enable the existing farmer to retire with dignity to live out the rest of his days in his or her chosen probably rural location. Spouses and partners also benefit from this.

4. The amount of drawdown will in many cases be the equivalent or even greater to the profit from farming normally for this period and without the associated risks adding to the attractive nature of this package.
5. The benefits will be clear cut in that it helps keep the countryside sustainable and helps halt rural depopulation.
6. No need for farmers to look at state run housing schemes as they have had to in the past.
7. It gives farming families to sort out succession planning between generations and it may give the elder generation the opportunity to bow out of farming gracefully.

The Reality

This idea is revolutionary and ground-breaking but will need to be implemented carefully as many of the beneficiaries although leaving the farm with a lump sum will of course be effectively homeless and in all truth will not have enough money, even with the payment and any savings to buy a house.

Secondly whoever takes on that farm will effectively be farming it without support and that could place them at a considerable disadvantage against their neighbours or competitors. Most would be young farmers seem unphased by this challenge or disadvantage but none the less it does need to be factored into the equation. There might well need to be a start-up grant for younger farmers taking on the land.

The Solution

The word unique is often over or incorrectly used but we can safely say that it does apply to the Addington Fund in that there is no other charity or organisation which covers the same charitable remit as us. The fund was established in 2001 to alleviate rural suffering during and following the foot and mouth outbreak and as a direct result we still operate a farming disaster relief programme through our Trustees Discretionary Fund and are prepared for what nature can throw at us. However, the disaster relief work uncovered other underlying problems in the rural community and farming generally which are still relevant today. This is what we deal with on a day to day basis.

There are four key areas: -

1. **The Lack of a Clear Retirement Plan** for many tenant farmers or highly borrowed farmers. As laid out earlier many farmers have no exit plans for when tenancies or Farm Business Tenancies (generally 5 or 10 years) come to an end. Staying put in their farmhouse until the money runs out can be their best or only option. Often big detached houses can mask the lack of savings and the financial plight beneath.
2. **The lack of Affordable Homes** for rural families and young single people.
3. **The Lack of Opportunity for Young Entrants** into farming or to start up agricultural service businesses. In helping farmers retire as already discussed this can give opportunities to new entrants and in our experience, they often take farms to newer heights when given the opportunity. Fresh and innovative thinking increases production levels, financial output and profitability. If we can help them with affordable housing nearby this can often give the option of allowing the retiring farmer to retire in his own home with dignity or in one of our strategically sited houses nearby.

- 4. Disaster Relief** on a case by case business through our Trustees Discretionary Fund as a result of inclement weather and especially when there are livestock welfare issues.

As a result of this the Addington Fund has morphed to become a very effective sustainable housing charity, which alleviates rural hardship and helps to keep the countryside vibrant and sustainable for those working and living there, whilst still maintaining its core disaster relief programme as required. For several years, the Addington Fund has offered a solution by providing a limited numbers of houses on a case by case basis in the following areas: -

- 1. Retirement Housing** – a house, selected by the farmer who wishes to retire in his chosen locality. Giving him or her a retirement home which upon death is generally sold. Rents are typically charged at 80% of the going rate. Our shared equity schemes enable joint ownership of properties and give tenants a pride in the property.
- 2. Affordable Housing** – often donated by benefactors or at cheaper rates. We use these houses to keep rural agriculturists in their chosen location at subsidised rent to stop them being priced out by city commuters.
- 3. Flat/Workshops** – we have a few flats above workshops which we let out at very favourable rates to rural dwellers to help them start their own rural based businesses. Examples include shearers, spray contractors, rural photographers, flower arrangers, welders..... We have strong desires to do more developments of this nature.
- 4. Disaster Relief** – We continue to offer disaster relief in line with our core values through our Trustees Discretionary Fund on a case by case basis which complements our housing programme.
- 5. Young Entrants** – Addington is committed to bringing youngsters into farming and related industry and is in the process of setting up a young entrant's scheme using designated legacy farms.

It is the first option, the strategic housing option which could be the designated Government enabler with the Addington Fund the deliverer particularly through its shared equity scheme the most appealing element. To date the Addington Fund has a portfolio of 65 houses of which 50 are bought to order retirement homes and are worth between £12-15m. When houses are no longer needed, they are simply sold on the open market and outstanding capital is used to buy the next retirement property. Of course, we are still awaiting the finer points of the Act on such things as what help will be given to new entrants farming the delinked land and when will they be eligible to apply for the new Environmental Management Scheme (ELMS). Landowners who do not actually farm could also benefit short term if loopholes are not closed. It will almost certainly go out to consultation shortly. If Addington are to become the approved deliverer of this Government policy, it would need additional Government funding perhaps through an at cost Government loan arrangement and be appointed the designated charity to supply this much needed service. As a sustainable well run, lean and mean charity this is where our real level of expertise comes to the fore.

For more information on this scheme or if you have any questions please contact:

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