

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

First Delegated Legislation Committee

## AGRICULTURAL HOLDINGS ACT 1986 (VARIATION OF SCHEDULE 8) (ENGLAND) ORDER 2015

*Monday 11 January 2016*

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**Friday 15 January 2016**

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY  
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**The Committee consisted of the following Members:**

*Chair:* Ms KAREN BUCK

† Bebb, Guto (*Aberconwy*) (Con)  
 † Drax, Richard (*South Dorset*) (Con)  
 † Drummond, Mrs Flick (*Portsmouth South*) (Con)  
 † Eustice, George (*Minister of State, Department for Environment, Food and Rural Affairs*)  
 † Harris, Carolyn (*Swansea East*) (Lab)  
 † Hoare, Simon (*North Dorset*) (Con)  
 † McCartney, Jason (*Colne Valley*) (Con)  
 † Mills, Nigel (*Amber Valley*) (Con)  
 † Morris, Grahame M. (*Easington*) (Lab)

† Newton, Sarah (*Truro and Falmouth*) (Con)  
 † Offord, Dr Matthew (*Hendon*) (Con)  
 † Quin, Jeremy (*Horsham*) (Con)  
 Robinson, Mr Geoffrey (*Coventry North West*) (Lab)  
 † Smith, Nick (*Blaenau Gwent*) (Lab)  
 † Winnick, Mr David (*Walsall North*) (Lab)  
 Woodcock, John (*Barrow and Furness*) (Lab/Co-op)

Ben Williams, *Committee Clerk*

† **attended the Committee**

# First Delegated Legislation Committee

Monday 11 January 2016

[Ms KAREN BUCK *in the Chair*]

## Agricultural Holdings Act 1986 (Variation of Schedule 8) (England) Order 2015

4.30 pm

**The Minister of State, Department for Environment, Food and Rural Affairs (George Eustice):** I beg to move,

That the Committee has considered the Agricultural Holdings Act 1986 (Variation of Schedule 8) (England) Order 2015.

I am grateful to the Committee for considering this Government proposal to update the provisions governing agricultural tenancy compensation set out in schedule 8 to the Agricultural Holdings Act 1986. In essence, this proposal is all about the value of farmyard manure. Those of us—there are some in this room—who have been farmers will understand that farmyard manure has a very important role to play in the quality of our land, the fertility of our land and the structure of soils.

The reform applies to all landlords and tenants in England who have agricultural tenancy agreements governed by the 1986 Act. Approximately 21,500 such tenancies remain in England, accounting for approximately 17% of agricultural land. They tend to be traditional lifetime tenancies, with succession rights of up to two generations.

The 1986 Act sets out detailed provisions governing the terms and conditions of the tenancy agreement between landlords and agricultural tenants governed by the Act. Certain provisions in the 1986 Act have become out of step with modern farming practices. The changes will deliver the final reform in a package of proposals, on which we consulted in 2014, aimed at updating and modernising the 1986 Act. The changes have the support of industry representatives—both landlords and tenants.

Schedule 8 to the 1986 Act entitles outgoing agricultural tenants to be compensated for short-term improvements they have made to the holding that have value to an incoming tenant, in order to incentivise outgoing tenants to farm sustainably and to keep the land productive during the last years of their tenancy. The schedule is now out of date with respect to current farming practices in the following ways.

First, compensation can currently be claimed only for purchased manure and fertiliser applied to the land, thereby excluding other beneficial material, such as digestate, which is the by-product of anaerobic digestion, and soil improvers such as compost, which are now often used on farms to improve soil condition. We are therefore broadening the list of improvements eligible for compensation to include digestate and soil improvers, and we are removing the restriction on allowing compensation for purchased manure and fertiliser. Those changes will mean that compensation can be claimed for improvements from manure, fertiliser, soil improvers

and digestate applied to the land, regardless of whether they are purchased, created on-farm or otherwise acquired, as that has no bearing on the soil improvements delivered.

Secondly, manure is currently compensated for only if it comes from horses, cattle, sheep, pigs or poultry, which excludes other species now found on farms, such as alpacas and llamas. We are therefore broadening the scope of the schedule to allow compensation for manure derived from a broader range of livestock on the holding that is held in storage. Those changes will update and modernise the schedule, to provide a more effective incentive to outgoing tenants to leave the soil in good condition for incoming tenants. They are supported by the Tenancy Reform Industry Group, which includes representatives of tenant farmers, landlords and professionals such as agricultural valuers, surveyors and solicitors.

We ran an eight-week consultation on the changes in 2014 and received 19 responses, with the majority of consultees supporting the changes, including key industry representatives such as the Country Land and Business Association, which represents landowners, and the Tenant Farmers Association and National Farmers Union, which represent tenant farmers. I therefore commend the instrument to the Committee.

4.34 pm

**Nick Smith (Blaenau Gwent) (Lab):** It is a pleasure to see you in the Chair, Ms Buck. I thank the Minister for his speech.

This amendment to the Agricultural Holdings Act 1986 looks to widen the range of improvements for which an agricultural tenant can be paid compensation at the end of their tenancy. The order recognises the broader range of animals that can be kept on a farm, such as llamas and alpacas. It also recognises the value of manure and soil improvements applied to the land and provides compensation no matter how the improvements were obtained.

Labour broadly welcomes the order, as it ensures that tenants receive a fairer deal for their efforts on the land. In addition, any measure that encourages stronger stewardship and care in farming at all stages of the tenancy must be welcomed. Importantly, stakeholders have told me that they believe an uplift payment will be an incentive for tenant farmers to prioritise environmentally and socially responsible farming practice.

There has been a worry that, as tenancies wind down, farmland will be left to degrade. The order will help to address that problem. I will, however, note points that I hope the Minister can answer today.

I understand that the consultation on the proposals raised several concerns about the definition of “improvement” and whether that could be too broad a term and open to interpretation. For instance, a landlord may not think that an improvement to the land made by the tenant is an improvement at all, because it would not benefit any new tenants in the future. As arbitration can be an expensive process, can the Minister assure us that the Government will monitor the level of any disputes that arise as a result of the changes and, if there are many disputes about what an “improvement” is, act accordingly?

Finally, how will the Government work with the Tenancy Reform Industry Group—TRIG—to disseminate information about this change across the sector?

4.36 pm

**Simon Hoare** (North Dorset) (Con): It is a pleasure to serve under your chairmanship, Ms Buck. The last time I did was at Wilberforce Primary School some years ago, when you chaired the governing body.

I am sure that no one will—forgive the pun—pooh-pooh this proposal, but could I just ask the Minister three specific questions? I heard the list of animals that he read out. I do not think that I heard him say “donkeys”. I presume that those will be covered by “horses”, but can he just confirm that, given that occasionally organisations such as the Environment Agency can think, “If it’s not there, it must be wrong”?

Can the Minister also confirm whether there will be any exclusions as to manure being used on farms to do with anything that the animals themselves have been fed on? That will be an important issue for many farmers, particularly those who have animals in over the winter months.

The Minister also mentioned the use of digestate on fields. That seems a very sensible proposal and use of that by-product, but can he confirm that all or any of the digestate that would be used would be biodegradable? There have been quite a lot of reports of where such material has been used in the past, and plastic bags, wrapping from vegetables and so on have got into the food or recycling chain. Clearly, they have not been biodegraded through that heat process. They are often then chopped up and spread all over the land, which, in accumulation terms, can often negate any benefit that the use of the digestate process and the by-product was intended to have.

However, I am delighted to hear that what the Minister is proposing today has the support of both landlords and tenants. I presume that within that falls the support of the National Farmers Union as well.

4.38 pm

**George Eustice**: I shall move quickly to address some of the issues raised. First, the shadow Minister, the hon. Member for Blaenau Gwent, raised the point about improvements and whether there is a dispute in that regard. That is not necessarily a new problem, in that there would have been that problem even previously had this been restricted just to the purchased manures rather than manures generated on farm.

However, we do have a tried and tested way of resolving the issue. It basically enables landowners, landlords and tenants, if they cannot agree among themselves, to appoint an independent person to deal with the matter on their behalf. The hon. Gentleman

pointed out that arbitration is expensive, but I draw his attention to the fact that this order is part of a package of measures. It is the latest statutory instrument; we introduced SIs before the break-up of Parliament ahead of the last election. One of those, for instance, enabled third-party expert determination to be put in place as an alternative dispute mechanism to arbitration; that is certainly a cheaper approach. It also removed the prescribed approach for calculating end-of-tenancy compensation to give landlords and tenants much more flexibility to agree these things among themselves. Given the background of the earlier changes we put in place, I think we have the issue covered.

The hon. Gentleman mentioned the importance of raising awareness. As I said, we worked closely throughout the consultation with the Tenancy Reform Industry Group, which includes all the major stakeholders. As has been highlighted, there has also been some coverage in the agricultural press of the changes we are making. In addition, such negotiations are quite important for the tenant and the landlord as the tenant gets towards the end of their tenancy—particularly a 1986 tenancy—so land agents are likely to become involved. It is their job to understand legislation such as this and to make sure that outgoing tenants are aware of their rights under the changes before us.

I turn now to some of the points raised by my hon. Friend the Member for North Dorset. He asked whether donkeys were covered. I can confirm that the existing legislation already covers equidae. It is quite broad. It covers donkeys and asses, so it covers all types of equidae. My hon. Friend also asked whether there was a restriction on what animals can be fed. There has always been legislation that handles that issue. It looks at the feedstuffs that animals can be fed for the relevant part of the legislation to be satisfied.

On my hon. Friend’s final point, about digestate, the Environment Agency obviously has a role to play in making sure that regulations are complied with. If there are problems with contamination, the agency should take responsibility for looking at that. However, in terms of whether digestate improves the quality of the soil, I am sure a valuer would take that into account in their considerations.

In conclusion, the proposed changes will update and modernise the compensation provisions in schedule 8 to the 1986 Act, bringing them in line with current farming practices. That will ensure that they give outgoing tenants an effective incentive in terms of farm sustainability in the final years of their tenancy so that they leave the soil in good condition for incoming tenants. I commend this instrument to the Committee.

*Question put and agreed to.*

4.42 pm

*Committee rose.*

