

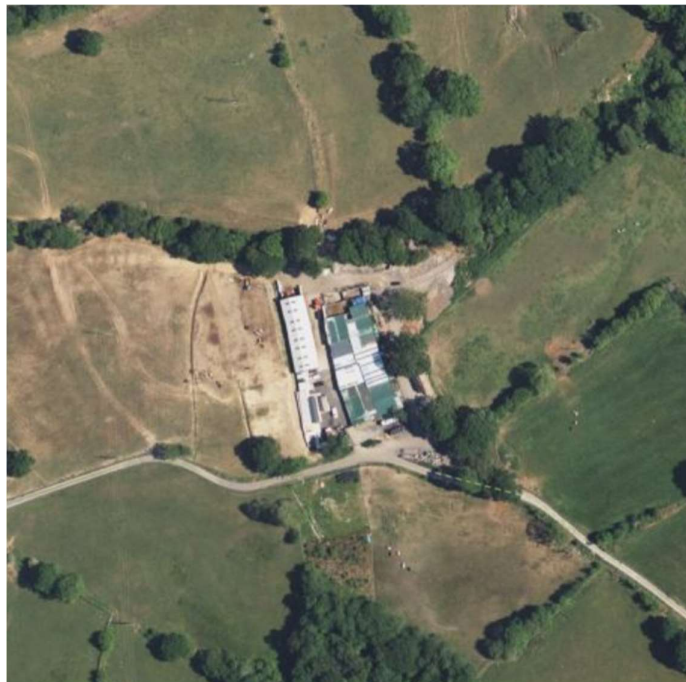
Rural Enterprise Dwelling Appraisal

Prepared in support of a full planning application for a rural enterprise dwelling and associated works

at

The Paddocks, Bedlinog, Merthyr Tydfil, CF46 6UF.

Report prepared for Daphne Trant and Jonathan Keogh.



February 2024

Report prepared by:

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1. Introduction

Rhydian Williams of Cynllunio RW Planning Ltd has been instructed to produce a rural enterprise appraisal in support of a permanent rural enterprise dwelling at The Paddocks, Bedlinog.

This report has been prepared for use in connection with a full planning application to be submitted to Merthyr Tydfil County Borough Council for a rural enterprise dwelling at The Paddocks. The report has been written in accordance with the provisions of Technical Advice Note 6 (Planning for Sustainable Rural Communities, July 2010) (TAN6) and the Practice guidance for rural enterprise dwellings (TAN 6) December 2011.

The report has been prepared using physical and financial information supplied by the applicants Daphne Trant and Jonathan Keogh. Furthermore, a 5 year budget has been prepared for the enterprise by Graham Leaver, an experienced independent farm consultant. A site visit was undertaken by myself and Graham Leaver on the 6th of February 2024 where the farms assets including livestock, buildings, feed storage facilities, waste storage facilities and farm machinery were observed.

The report and the attachments is confidential to the client, agent and Merthyr Tydfil Borough Council and should not be disclosed to any third part without express consent of Cynllunio RW Planning Ltd.

2. The farming enterprise

The farm known as the Paddocks has been owned and farmed by the family for over 15 years. Since owning the farm, the family have invested heavily in new farm buildings and improving the land. The farm was purchased and farmed until recently by Mick Keogh and his partner Daphne Trant. Sadly Mick Keogh suddenly passed away, leaving his partner and son Jonathan to manage the farm.

Mick and Daphne had moved to site approximately 4 years ago during the Covid Pandemic. The animals kept on farm required constant attention and monitoring which was being made impossible when living off site. A decision was made to site a caravan on site which Mick and Daphne then moved into. The on site farming operation is now led by Jonathan Keogh, whilst being supported by his mother Daphne and the wider family.

During the last 15 years Mick Keogh had run the farm enterprise as a sole trader. We have been provided with some financial information of the enterprise during 2019-2021, however due to his death and ongoing probate, securing more detailed financial information is proving difficult.

The Paddocks is a mixed enterprise, mainly focuses on cattle, horses and sheep. The farm is all down to pasture and consists of both owned, rented and common land. The applicants own 120 acres, have 580 acres on a farm business tenancy agreement and have common grazing rights for Mynydd Y Capel of 250 ewes and 7 cows. All the land which is owned and rented is located directly adjacent to the yard at the Paddocks.

Considerable investment has been made in the business in recent years to allow for growth and improved profitability in both livestock, farm buildings and farm machinery.



Site photo of the large agricultural building and store cattle



Photos of the farms machinery shed, including baler, mower, wrapper, rake, telehandler, tractor and loader, feeder wagon, and straw.



Photos above of the farms cattle handling facilities and stables

It is noted that the farm is well equipped in terms of agricultural buildings, handling areas, menage, horse training area, and farm machinery. The farm carries out all of its own fencing, harvesting and transport needs. The business owns two modern tractors, and all the required equipment as the photos above show to do all of its own harvest work.

The farm currently has a total of 167 cattle, of which there are currently 49 suckler cows, 116 youngstock 2 years and under and 2 bulls. The farm is red tractor farm assured and sells all of its cattle as stores at ages up to 24 months of age to other farmers who fatten cattle. Calving takes place all year round and cows are put to continental Charolais bulls to produce high quality progeny. The farm also purchases weaned calves from local markets, however the plan going forward will be to increase suckler cow numbers to produce all calves on farm. It is felt producing calves on farm to raise to forward stores will be more profitable. It is noted that overall cow numbers have reduced in the last two years due to the uncertainty and issues caused by the sudden death of Mick. Plans are now in place as detailed in the budget produced, attached in appendix 4 of this report to increase cattle numbers to 100 suckler cows in order better utilise the farms resources and increase profitability.

The Paddocks is also home to the Nye stud. The family have taken great pride over the years in their horses, having some success in local shows and sales. The enterprise keeps a total of 50 mares, all of which are in foal at time of site visit. This enterprise utilises a low cost extensive grazing system with the majority of foals sold as yearlings, with the best kept on for breeding or sale at 2 to 3 years of age. The aim is to reduce the number of mares kept as detailed in appendix 4.

The ewe enterprise currently stands at 22 ewes, all of which are due to lamb in April this year. The aim is to increase ewe numbers to 200 to better utilise their common land rights and provide an useful tool for pasture management in some areas of the farm. Lambs are all sold as store lambs in the local market.

3. The proposal and application site

The proposal includes the siting of a modestly scaled rural enterprise dwelling adjacent to the farm buildings at the Paddocks to replace the existing static caravan on site.

For the business to be able to maximise income from the existing beef, horses and sheep enterprise and to grow stock numbers following the succession of the business to Jonathan it is a necessity for them to be present on site at all times. This will be demonstrated in the appraisal, which shows a dwelling on site is essential for the successful running of the enterprise.

The application site and farm holding is located in a rural area with the nearest settlement being Bedlinog located 1.8KM (by road) to the North East.

The application site is located to the West of the existing farm complex in an agricultural field currently down to improved grassland. The proposed dwelling has been located directly adjacent to the farm complex and access track.



Proposed location of dwelling

The proposal seeks permission for a two storey dwelling, access lane, lawn, landscaping and associated works. The proposed dwelling has 3 bedrooms and a 1 bed annex to provide space for the applicants family and mother who is also active on the farm.



Elevation plans

The scale of the dwelling has been carefully considered to ensure that its commensurate to the ability of the enterprise to pay for it in line with TAN 6 policies.

4. Planning Policy

Local planning policies will be covered by Turley in the planning statement.

TAN6 policies

Technical Advice Note 6 (TAN 6 July 2010) is the principal document followed. It states in paragraph 4.4.1 New Permanent Dwellings should only be allowed to support established rural enterprises providing:

- a) there is a clearly established existing functional need.
- b) the need relates to a full-time worker, and does not relate to a part-time requirement.
- c) the enterprise concerned has been established for at least three years, profitable for at least one of them and both the enterprise and business need for the job, is currently financially sound, and has a clear prospect of remaining so.
- d) the functional need could not be fulfilled by another dwelling or by converting an existing suitable building already on the land holding comprising the enterprise, or any other existing accommodation in the locality which is suitable and available for occupation by the worker concerned; and
- e) other normal planning requirements, for example, on siting and access, are satisfied.

The document goes on to outline that the Welsh Government wishes to encourage younger people to manage farm businesses.

5. **Functional test**

The functional tests seeks to provide evidence of whether there is a need for a resident worker for the proper functioning of the enterprise in line with para 4.8 of TAN6.

A resident worker is required at the Paddocks for the following reasons:

- Calving, foaling and lambing. The farms suckler cows calve all year round, with foaling taking place in the spring and summer, and lambing in spring. Due to the scale of the enterprise and that animals are giving birth all year round, someone needs to be on site constantly to monitor, help with difficult births, call the vet, pen up, bring indoors during inclement weather, provide colostrum after birth etc. Often during calving, foaling and lambing Jonathan may require a second person to provide assistance. A dwelling on site would then enable Jonathan's partner or mother to be on hand to help when required, even during the night. At present Jonathan is having to sleep over at Paddocks away from his young family and drives back and forward during the night to respond to these emergencies. This is not sustainable for the farm business nor his young family.
- Providing assistance to newly born animals, be it helping a weak calf to suckle, or provide some additional colostrum to newly born lambs, requires 24/7 attention. This can only be achieved by living on site.
- Calves can also be susceptible to illnesses such as scours, pneumonia etc. and therefore require careful attention which can only be done with an on site presence. Not being on site for long periods would increase the risk of calf mortality rates increasing and thus making the enterprise less financially viable.
- Taking deliveries and security. Deliveries of horse, sheep and cattle feed, fertiliser etc. requires somebody to be on site to unload with a tractor/loader. Furthermore stock can break out onto the road at any time of the day or night, and with nobody on site this can prove to be a big problem when nobody is on hand to retrieve them safely.
- Health monitoring. Being on site greatly aids the ability of the farmer to monitor his animals and to spot any issues at an early stage saving money for the business and also for the welfare of the animal.
- General feeding, bedding etc – Feeding and bedding duties are very labour intensive, particularly during winter, and often these tasks will be carried out outside normal working

hours. Living on site will enable this to be done when required which will both increase farm efficiency and animal welfare.

It is clear that for an enterprise of this scale that there are clear functional reasons why a resident farm worker is required. Driving back and forward to site would not be sustainable and would threaten the continued viability of this business. The applicant has a young family, and not being able to live on the farm will inevitably have negative consequences.

There are no other dwellings on site which are available for the applicants to live in to meet the functional need of the existing enterprise. It is believed considering the above points that it is essential for the proper functioning of the enterprise, for one or more workers to be readily available at most times in line with TAN 6 para 4.8.

6. Time test

The time test seeks to demonstrate that the functional need outlined above relates to at least a full time worker in line with para 4.9 of TAN6. For the purpose of this test the application relates to the first dwelling on an established rural enterprise and therefore the functional need must be for a full time worker.

The standard man hours have been calculated using data contained within Nix's Farm Management Pocketbook 51st Edition 2021, the Agricultural Budgeting and Costings Book (ABC) as well as background knowledge.

Calculations of standard man days of current stocking

	Hrs	Farm Number	Total
Livestock type			
Lowland ewes and ewe lambs	0.45	22	9.9
Rams	0.5	1	0.5
Calves to 12 month old	1.2	58	69.6
Beef stores	1.6	58	92.8
Suckler cows	1.68	47	79.49
Mares	1.68	50	84
Foals over 12months	1.6	5	8
Total standard man days for livestock			1.25
	Hrs	Ha	Total
Cropping			
Silage bales	1.6	33.33	53.28

Total standard man days for cropping			0.19
Overall Total			1.44SMD

Total standard Man Days attributed **to livestock and cropping** are 1.44 SMD (At present stocking).

An additional 15% is also added on top in line with the John Nix pocketbook to account for general maintenance, repairs and paperwork.

This brings the total on site labour requirement to **1.66**. I note that the SMD will increase if the forward projections are taken into consideration.

I also note that the applicant carries out all of his own cropping and land work, which is a considerable task considering the area of land farmed.

It is evident that the existing enterprise has a clear functional need which relates to a full time worker in line with para 4.8 and 4.9 of TAN6.

7. Financial Test

The financial test seeks to demonstrate that the enterprise and activities concerned are financially sound and have a good prospect of remaining so. Furthermore this test is required to demonstrate that the business can provide a market return for the labour required and that the size of the dwelling is realistic to what the enterprise can afford to build and maintain.

The planning application is supported by 3 years of accounts dated 2019, 2020 and 2021 (As included in appendices 1,2 and 3). All three sets of accounts show a profit, however due to the probate and how the previous head of holding ran the farm, we have been unable to acquire more detailed management accounts. Therefore, a detailed budget has been provided by Graham Leaver whom is a very experienced and well respected independent agricultural consultant. He has also provided detailed analyses of the budget in relation to the financial test as follows:

**** Analyses provided by Graham Leaver**

Paragraph 4. 10.1 of TAN6 states that for a permanent dwelling the rural enterprise should be financially sound and should have good prospects of remaining economically sustainable for a reasonable period of time, which is usually 5 years.

TAN6 also states that for a permanent dwelling the enterprise has to have been established for 3 years and profitable for at least one of them. To demonstrate that this business has been established for 3 years and viable for at least one of them, the last 3 years accounts have been submitted with this application. The table below summarises the trading accounts of the last 3 years:

	2021	2022	2023
Gross Output	£76,700	£84,900	£88,800
Variable Costs	£32,600	£46,600	£57,900
Gross Margin	£44,100	£38,300	£30,900
Overhead Costs	£34,200	£27,400	£22,300

Finance Charges	£100	£100	£200
Net Profit	£9,800	£10,800	£8,400

The table shows that during the first 3 years trading the business has consistently achieved a net profit that has fluctuated by £2,400. What the accounts show is the following:

1. Income has increased each year and was £12,100 (16%) higher in year 3 than the first year.
2. The variable costs also rose in direct relation to the rising income and these increased by £25,300 (78%). In percentage terms the increase was significantly higher than the income but in 2022-23 costs such as fertiliser, feed and straw rose considerably because of the war in Ukraine and the impact of the dry summer. The rise in this expenditure was not reflected in the farmgate prices.
3. Overhead costs fell by £11,900 (35%) and this was primarily due to a combination of lower salaries and administrative expenditure.
4. Within the overhead costs are legal fees of between £16,500 and £17,000 in all three years. These costs have been in relation to planning and issues regarding the purchase of the land and probate after the death of Daphne's partner and Jonathan's father. These costs are not expected to be ongoing.
5. Finance charges were both very low and similar during this period and reflect a business with no debt.

Within the accounts is significant expenditure for fees that is not expected to be ongoing and salary payments as well. These combined costs total between £18,500 and £25,000 and when these are added back the net profit between 2021 and 2023 is calculated to be between £27,000 and £35,000.

The cost of the new dwelling is forecast to be £250,000 as the partners also own a building company that will keep the cost/m² to a minimum. If this mortgage is repaid over 30 years and has a fixed interest rate of 5% the annual repayments are calculated to be £16,250/yr.

The accounts show that excluding the fees and the salary payments the net profit in the last 3 years was high enough to cover the expected cost of the mortgage and at least £10,750 of a full time salary. As the salary under the Agricultural Wages Order (Wales) for a full time worker over 25 years of age is £408/wk this equates to £21,216/yr. Therefore the accounts show that the lowest net profit would cover 51% of the salary as well as the mortgage payments. This is an achievement bearing in mind that during the period the farm business was being established.

To show that the business has good prospects of remaining economically sustainable, a 5-year budget has been submitted with this application. The budget must show that the business can generate a high enough net profit to pay a full time worker's salary and meet the mortgage repayments of the proposed dwelling. The Practice Guidance for TAN6 gives further detail on what the budget should demonstrate and this is

- ❖ **Profitable** – Income must exceed expenditure on a regular basis
- ❖ **Feasible** – Have sufficient funds to support ongoing operations
- ❖ **Worthwhile** – Provide a reasonable return on the resources used in it

The table on the next page summarises the budget in the 5th year.

Gross Output	£153,500
Variable Costs	£50,600
Gross Margin	£102,900
Overhead Costs	£44,900
Finance Charges	£19,300
Net Profit Before Depreciation	£38,700
Less Loan Repayments	£9,300
Less Private Drawings	£23,800
Cash Surplus/Deficit	£5,600

- ❖ The budget shows that in all five years there is forecast to be both a net profit and cash surplus. Between the first and third years whilst the livestock numbers are being increased the net profit is projected to rise by £12,200 but then start to decrease as costs are forecast to continue to increase. In the fifth year the net profit is forecast to be £11,900 higher than in year 1.

- ❖ For the same reasons the cash surplus is projected to increase by £9,000 between the first and third years but by year 5 be £3,800 lower than year 3.
- ❖ Because of the income from the sale of the finished cattle and surplus mares in the first year the revenue is expected to fall by £134,800 during this period. However, from the second year the overall income is anticipated to increase by £5,000 as a higher number of cows will be culled from year 3.
- ❖ Due to the purchase of the suckler cows and ewes to increase the number of breeding stock the variable costs being projected to increase by £19,900. From the second year these costs are expected to be fairly constant.
- ❖ Between the first and fifth years the overhead costs are forecast to increase by £7,700 (20%). This is due to inflation and during this period the average rise of 5% is higher than the current inflation rate of 4%.
- ❖ As the loans for the proposed dwelling and livestock have a fixed interest rate and as an overdraft facility should not be required the finance charges will not be affected by any rise in the bank base rate and interest rates. That is why these charges are not forecast to change.
- ❖ The fixed interest rate is also the reason for the loan repayments being the same.
- ❖ As Jonathan is expected to be the full time worker on the holiday his salary is included as drawings. Jonathan is anticipated to be paid the National Living Wage, which in 2024 will be £11.44/hr or £23,800/yr.

The net profit only has to be high enough to meet both Jonathan's salary and the capital element of the mortgage payments for the permanent dwelling as the interest paid is included in the finance charges. The capital paid is calculated to be £9,300/yr and the budget projects that the net profit should be high enough to meet these payments.

The enclosed budget clearly demonstrates that the business has every prospect of remaining financially sound, as it is forecast to have a net profit each year and that is high enough to cover the mortgage repayments each year. The cash surplus is expected to fall between the third and fifth years but the surplus will remain healthy each year.

The TAN6 Guidance states that the business plan should demonstrate that the business is profitable, feasible and worthwhile. The budget meets these objectives in the following ways

- ❖ **Profitable** - The projected operating profit and cash surplus demonstrates that the income should exceed expenditure on a regular basis.
- ❖ **Feasible** – The business does not currently have an overdraft facility it is projected that one should not be required. The reason for this is that the cash surplus is high enough to help ensure that an overdraft should not be necessary. There is also projected to be a cash surplus in each year and these factors clearly indicate that the business has sufficient funds available to support the ongoing operations.
- ❖ **Worthwhile** - Recognised benchmarking indicates that the net profit should be 8% of the turnover and it is forecast that it will be 25% in the fifth year. Therefore, it has been clearly indicated that any investment in this business can be viewed as worthwhile.

There are factors that could affect the profit margin of the business and these include a fall in the value of the commodities that are being sold and rising costs. There have been allowances for some of these factors included in the budget, which are as follows

- ❖ The income from all enterprises is no higher than current market prices, which means that they are realistic. Enclosed is an example of the average prices for 12 month store cattle and store lambs from the most recent Farmers Weekly 16th February 2024
- ❖ Over the 5 years the overhead costs are forecast to increase by £7,700 (20%) with all costs projected to rise during this period. This annual rise is close to the current annual inflation rate of 4%
- ❖ The business should be protected from rising interest rates as the mortgage will have a fixed interest rate and an overdraft facility should not be required

Therefore, a reasonable level of sensitivity has already been included in the budget and a cash surplus is still forecast. There would have to be a significant fall in income or increase in costs for a sustained period of time for the viability of the business to be under threat. This indicates that the business should remain profitable and the Financial Test has been passed.

** Above supplied by Graham Leaver as analysis of the 5 year budget produced and submitted as part of this application.

It is evident from the financial analysis outlined above and forward budget the viability of the business now and going forward is secure and in line with para 4.10 of TAN6.

It is also worth noting that the business has undergone huge change recently in the loss of the head of holding and leader of the family. However, during this time the enterprise has remained financially viable and resilient.

TAN 6 policy requires the business needs to provide sufficient funds for the farm drawings and to pay for the proposed dwelling as has clearly been demonstrated.

6. Other Dwellings Test

There are no other dwellings available on site or buildings suitable for conversion. As previously mentioned, the caravan currently on site was brought onto site over 4 years ago as a means of living on site during the covid restrictions and to meet the needs of the enterprise.

This statement has clearly demonstrated in the functional test that a resident farm worker is required and therefore dwellings available in the locality further away would not meet the functional need of the farm. The dwelling is required adjacent to the farm yard to be within view and sound of each other.

It is deemed that there is clear evidence to demonstrate that there is no other dwellings or buildings suitable for conversion available to meet the need of the enterprise for a resident worker to live on site and therefore para 4.11 of TAN 6 is met.

8. Other Planning Requirement Tests

The TAN6 guidance also requires demonstration of compliance with local development plan policies and more general national planning policies in terms of;

- Design
- Location/landscape
- Access and sustainability
- Biodiversity

These elements will be covered by the accompanying planning statement.

9. Conclusions

The proposed rural enterprise dwelling meets the functional test of requiring one or more worker to be on site to meet the functional needs of the business. These needs relate to an all year round need which may arise due to unexpected situations and outside normal working hours. It is therefore concluded that the functional test is fully met in line with para 4.8 of TAN6.

The proposed rural enterprise meets the time test by clearly demonstrated that the scale and nature of the enterprise requires at least one full time worker. The existing agricultural enterprise has demonstrated a need for 1.66 labour units, which is well in excess of one full time labour requirement and therefore compliant with para 4.9 of TAN6.

The proposed rural enterprise meets the financial test as the business is clearly viable by means of being profitable every year in the last three years, has demonstrated strong improvements in business profitability over the last three years, and the forward budget has clearly demonstrated that the business can provide for a reasonable wage for the applicants and afford to pay for the scale of dwelling proposed. It is clear that the scale of the enterprise is sufficient to yield the required income to cover wages and the cost of the proposed dwelling and therefore compliant with para 4.10 of TAN6.

The proposed rural enterprise appraisal meets the other dwelling test as there are no other dwellings available on site nor are there any buildings on site suitable for conversion. As demonstrated in the functional test the applicants need to be on site within sight and sound of the buildings and therefore no other dwellings in the locality would be suitable. I therefore conclude the proposal meets the other dwellings test in line with para 4.11 of TAN6.

The proposed development meets the other planning requirements test as outlined by para 4.12 of TAN6 by being broadly in line with both local and national planning policies as outlined in the accompanying planning statement.

Given the considerations and conclusions outlined in this Rural Enterprise Appraisal it is considered that the proposal meets the requirements of TAN6 policies and local policies. It is therefore requested that planning permission is granted for the proposed development.