

1. INTRODUCTION

- 1.1 To report on progress to the financial year-end 2008 and to report on the implementation of the County Farms Estate policies approved by Cabinet in 2006.
- 1.2 Areas covered include capital receipts, rental income, expenditure, rent reviews, land allocation, environment, public access, social initiatives, performance indicators and key issues looking forward.

2. EXECUTIVE SUMMARY

- 2.1 A target revenue surplus of £1.98m was achieved helped by new income streams such as the Red Tile Wind farm.
- 2.2 Sales of surplus property achieved £8.7m. The aim is to bring forward capital receipts while protecting the core estate.
- 2.3 After a national advertising campaign three farms covering 244 hectares were let to new entrants. The quality of business plans from applicants was excellent and chosen candidates have settled in well.
- 2.4 For Michaelmas 2008 one farm was advertised in January 2008 attracting great interest and a candidate has been chosen.
- 2.5 The Estate achieved a first when it hosted a successful Royal visit to Westmoor Farm, Chatteris by the Countess of Wessex in September 2007.
- 2.6 Twenty-four school visits and five guided walks for the public were made to the Estate, mainly to sites with archaeological interest. These attracted almost 1500 people. The aim is to promote environmental protection and enhancement and access to the countryside by the public and schools.

3. KEY DRIVERS IN 2007/2008

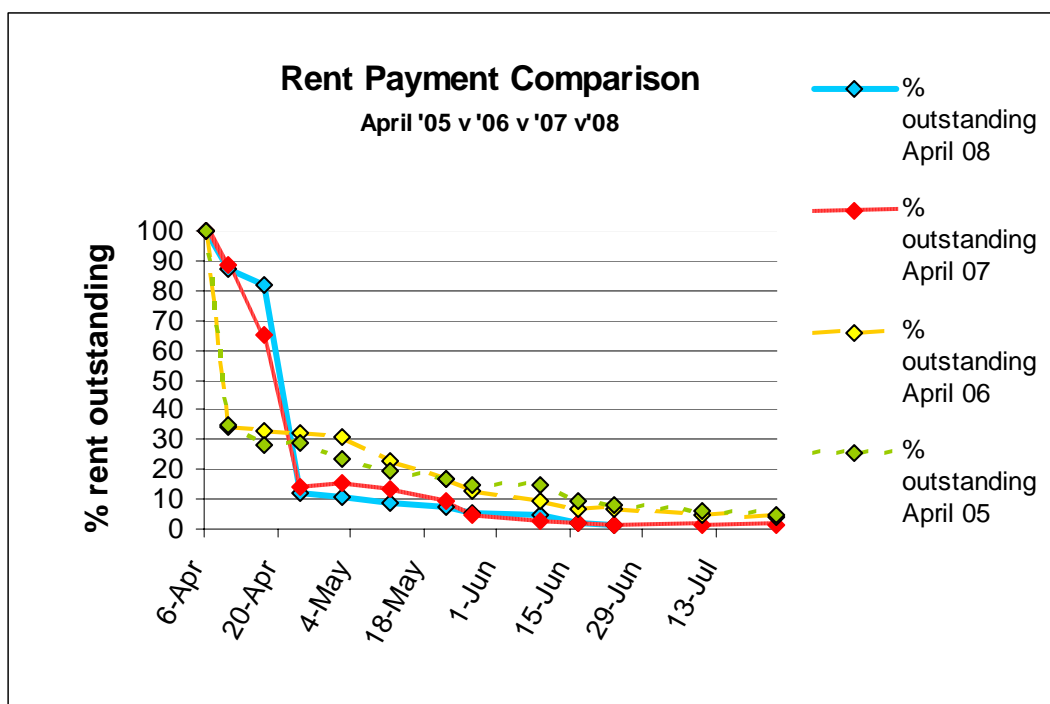
- 3.1 For tenants the main drivers have been the greatly increased commodity prices and more certainty following the implementation of EU subsidy reforms.
- 3.2 The general property market in Cambridgeshire and the Eastern region has continued to be buoyant although there are signs that it may be beginning to slow down.
- 3.3 Tackling climate change has become a higher priority and is driving agricultural commodity markets and also Council policies.

4. FINANCIAL: CAPITAL RECEIPTS

- 4.1 Producing capital receipts is an important Estate objective. In 2007/08 118 ha of surplus property was sold and achieved £8.7m. This included a 2.8 ha site at St Ives sold for residential development and larger farms of 57 hectares at Whittlesey and 46 hectares at Wistow.
- 4.2 A number of properties with estimated receipts of over £2m are at different stages of sale, from marketing through to exchange of contracts. These including former farmhouses at Fordham, Isleham, Littleport and Warboys. Contracts have been exchanged for the sale of land to the National Trust at Wicken.
- 4.3 We are continuing to investigate low cost housing opportunities at Landbeach and Whaddon. Representations to the local District Council's are being made on strategic sites to create future development value as the Local Development Frameworks evolve.
- 4.4 It should be noted that sales of property reduce the Estate's future revenue potential.

5. FINANCIAL: RENTAL INCOME

- 5.1 The pattern of rent payment has been good. The Council is seeing the benefit of tight control using the mechanisms provided by statute and tenancy agreements. Payments to farmers from the Rural Payments Agency were much improved in 2007 and account for much of the difference from 2006. Improved commodity prices have allowed earlier payments in 2008. Blue Tongue disease and Foot & Mouth have both caused concern for tenants with livestock in 2007-08. Tenants with cash flow difficulties are encouraged to contact the Council at an early stage, an approach that has been welcomed by the National Farmers Union.



5.2 The annual revenue surplus generated by the Estate is £1.98m. The gross Estate rent roll has fallen slowly since 1998 as a result of property sales, which have generated significant capital receipts, and some rent reductions while farming was in the doldrums.

6 FINANCIAL: ESTATE EXPENDITURE

6.1 Investment to fulfil maintenance obligations and new construction on the Estate was undertaken in three areas:

Capital investment	£0
Planned maintenance	£190,000
Reactive maintenance	£96,000
TOTAL	£286,000

6.2 In addition there was a further £194,000 of general expenditures, such as water and business rates, drainage charges, legal costs and environmental work.

6.3 The proportion of rental income attributed to maintenance expenditure is tracked as one of the Estate's Performance Indicators. (See Appendix).

6.4 Tenancy agreements place legal obligations on the Landlord to carry out maintenance. One of the objectives for the Estate since 1991 has been to reduce the Council's maintenance liability. This has been achieved by an active policy of selling surplus dwellings, often those with high maintenance liabilities, together with a considered approach to a planned maintenance programme on a five-year cycle.

6.4 The table below shows how maintenance expenditure has varied.

Year	No of equip/pt equip holdings	Capital Investment	Maintenance Expenditure	Total Expenditure	Expressed as £ per Holding
96/97	319	115,000	480,000	595,000	1865
99/00	228	120,000	355,000	475,000	2083
02/03	202	110,000	335,000	445,000	2203
05/06	202	75,000	220,000	295,000	1460
06/07	198	110,000	271,000	381,000	1924
07/08	193	0	286,000	286,000	1481

6.5 Overall expenditure is on a downward trend. Previous surveys of tenants have found that there was increasing dissatisfaction with the level of expenditure on the Estate.

- 6.6 Farm properties are however generally well maintained and in good order. Many poor quality and high maintenance houses have been sold. However farm roads and health and safety related issues, such as asbestos, are using an increasing amount of the maintenance budget, a trend that is likely to continue. This explains why expenditure per holding is not falling as dramatically as might otherwise be the case. Increasingly tenants are requesting more capital expenditure on the Estate, in particular for storage buildings and the Council's Integrated Plan is expected to meet some of those demands.

7.0 MANAGEMENT: RENT REVIEWS

- 7.1 The pattern of rent reviews was similar to that of previous years. Tenants and the Council, as Landlord, must follow the statutory rent review procedure, serving Notices a minimum of 12 months in advance of the date on which a revised rent would be effective.
- 7.2 For the tenancy year ending October 2007, the Council agreed revised rents with six tenants, all of whom had Farm Business Tenancies. Each was agreed without recourse to arbitration. Three other tenants had served rent review notices but did not pursue them. This reflected a strengthening agricultural economy and the prospect of rent increases.
- 7.3 In 2007 the Council served 85 Notices on tenants with the expectation of agreeing increased rents before October 2008. Commodity prices have improved considerably although input costs, such as fertiliser and fuel, have also increased. 30% of tenants had agreed revised rents by 31 March 2008 with increases in all cases.

8. MANAGEMENT: LAND ALLOCATION 2007-2008

- 8.1 The allocation of land is made in accordance with the Farm Management Plans. These are plan-based expression of the Council's policies and objectives.
- 8.2 Three holdings covering 244 hectares at Earith, Farcet and Parson Drove, were advertised nationally in 2007. The advertising campaign generated widespread media interest, and attracted twenty-seven applications supported by business plans. At Members request senior officers carried out the final selection interview, with recommendations made to Corporate Services Spokespersons. This is now the Council's preferred selection procedure.
- 8.3 Since 1998 sixty new tenants have started on the Estate. The provision of opportunities for new entrants has been a national objective as well as at a county level for the County Farms Estate in Cambridgeshire. Collaboration with other County Farms Estates throughout the country is underway to promote opportunities to new entrants to the tenanted sector. The revised

tenant selection criterion, highlight the importance of environmental issues and was an outcome of the 2006 review of policies and objectives.

8.4 In recent years the character of rural businesses has evolved and some farm properties are now let as a mix of agricultural and non-agricultural uses. To protect the Council's interests commercial business tenancies are being used more often, which ensures security for both parties and generally are at rents well in excess of agricultural values. Examples on the Estate are:

- Burwell - equestrian
- Earith – equestrian
- Landbeach – children's nursery
- March- agricultural engineer

8.5 Also in recent years eight houses have been let through intermediaries such as King Street Housing Association and Huntingdon Housing Partnership at Landbeach, Burwell, Littleington, two at Shelford, Whittlesford, Ramsey, Warboys. These are interim arrangements, which provide local social housing for rent, while protecting the Council against the "Right to Buy" trap and enabling flexibility pending sale for future development.

8.6 In addition to the three advertised holdings there were a further forty-five lettings to existing tenants, which in total cover an area of 1517 hectares or 11% of the estate. This scale of turnover, through lettings to new tenants and amalgamations to existing tenants, has continued for several years and mirrors major changes in UK agriculture, which are due to the economy and the increasing average age of the farming population.

9 MANAGEMENT: ENVIRONMENTAL, ACCESS AND SOCIAL INITIATIVES

9.1 Environmental and public access initiatives are another key Estate objective. These include landscape improvements such as creating new woodlands and hedges, opening up new footpaths, and protecting archaeological sites. The works are also increasingly important in financial terms, as the Government and the European Union have placed more emphasis on non-food production.

9.2 Four kilometres of new public bridleways were created on farms at Girton, Histon, Oakington and Over. These improvements to the rights of way network are associated with the new town proposed at Northstowe and were funded with Growth Area Funding provided by the Department for Communities and Local Government. In addition this funding was used to provide disabled access improvements at Histon Wood and at Rampton pocket park, which have been well received by local users.

9.3 The Countryside Stewardship Scheme, (CSS) through which Government has provided environmental funding has been replaced by the Entry Level Stewardship (ELS) and the Higher Level Stewardship, (HLS). Most tenants have entered ELS. However entry to the HLS, which is more comparable to the CSS, is proving to be a more difficult hurdle to overcome. It is competitive and focuses on specific habitat targets, which are unattainable for most of our tenants because of their location or productivity.

9.4 Guided walks and school visits were organised on the Scheduled Ancient Monuments at

- Devil's Dyke, Burwell;
- Giants Hill, Rampton;
- Car Dyke, Waterbeach;
- Worts Farm, Landbeach;
- Stonea Camp, Wimblington.

These have been very well attended with almost 1500 people and 24 schools attending. The partnership between County Farms and the Archaeological Field Unit, who helped organise these visits, has continued to be successful and it is hoped that this will continue when they are outsourced.

9.5 The successful association with the Barn Owl Conservation Network has continued with more than 40 barn owl boxes maintained and monitored across the Estate.

9.6 The Estate has provides several sites for community and social involvement. At Brampton, Isleham and Soham Parish Council's are let land, which they use for allotments. Several sites have been let to Parish Councils on a long-term basis including a wood at Holywell, orchards at Bluntisham and Little Downham and land at Littlington. At Shelford the Council are in the process of letting a 10 hectare mature woodland, known as the Beechwoods, to the Wildlife Trust.

9.7 Also notable in the past year have been:

- A Royal visit to Westmoor Farm, Chatteris by the Countess of Wessex.
- The annual cricket match for the Muckspreaders Cup between tenants and staff at Sutton Cricket Ground.
- Two annual tenant meetings at Stow cum Quy and March with a focus on the carbon footprint of farming.
- Three tenant newsletters covering a diverse range of topics.
- Tenants David Wheatley of Wisbech St Mary and George Munns were short listed for the Natural England Futures of Farming Award
- An Environmental Compliance workshop for tenants was held in partnership with the Environment Agency.
- A productive meeting between members and officers with National Farmers Union tenant representatives.

10 PERFORMANCE: ESTATE STATISTICS

10.1 The table below shows that the number of tenants on the Estate continues to all, as farms are amalgamated. The structure of farm sizes and amalgamation policy has featured in the policy review.

Holding Type	1996-97	1999-00	2002-03	2005-06	2006-07	2007-08
Bare Land	168	89	82	85	77	68
Part Equipped	42	34	30	32	35	33
Equipped	261	187	172	157	144	140
Total	471	310	284	274	256	241

11 PERFORMANCE INDICATORS

11.1 Defined policy objectives are monitored regularly against a range of Performance Indicators.

11.2 The Indicators that have been reported previously, include the following: -

- Capital receipts generated
- Number of new entrants
- Maintenance costs as % of rent
- Net operational surplus

11.3 These indicators are regularly compared with statistics from CIPFA and Savills Rural Estate Benchmarking survey. In addition meetings take place with other rural estate managers when performance indicators, amongst other issues, are discussed. Notably discussions are held with representatives from other County Council Farms Estates held under the auspices of the Association of Chief Estates Surveyors and also the Country Land and Business Association's Institutional Landowners Group, which comprises the Crown, the Church Commissioners, the Duchy Of Cornwall, the National Trust and the Oxbridge colleges.

12 THE COUNCILS STRATEGIC OBJECTIVES & KEY ISSUES LOOKING FORWARD

12.1 **Growth and development of Cambridgeshire's communities.** In view of the demands being placed on the Council's finances it is key that the rental surplus of £1.98m is maintained or increased. Prospects for rental growth look healthy, although the Estates overall rental revenue potential diminishes as the Estate reduces in size. Residential and non-agricultural lettings, such as the Red Tile wind farm have become more important. Although commodity prices have risen dramatically input costs have also risen, leaving an improved margin but the prospect for some volatility as markets react and correct.

12.2 The Estate has averaged £3m per annum from the sale of surplus property in the last ten years. This has been achieved largely by the sale of small blocks of high value development land. Development sales can take a long time to realise and often could not have been predicted five years previously.

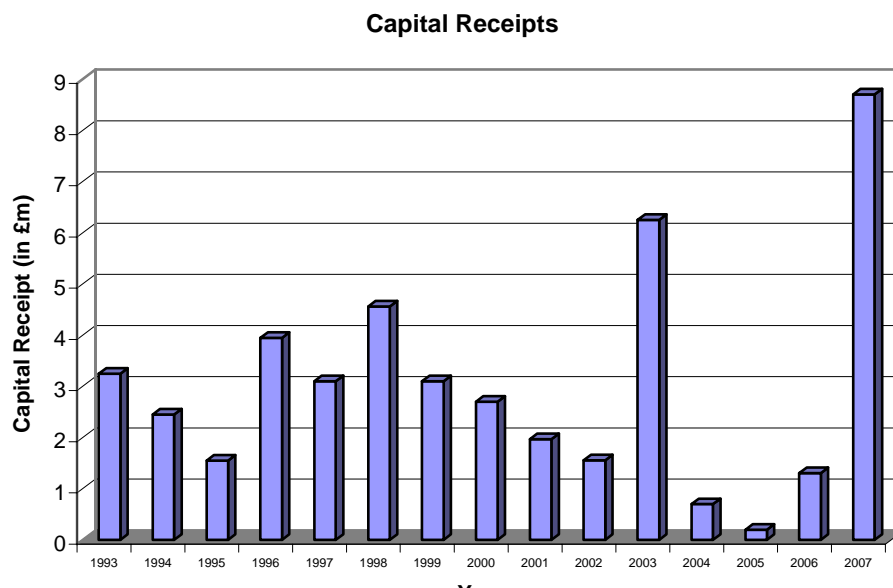
- 12.3 Both capital and revenue contributions are important to the Council's growth agenda. Also important is the availability of land. The recent sale of 40 hectares at Reach to the National Trust is an important contribution by the Council to the "Wicken Vision". Protracted negotiations are ongoing with Cambridge Rowing Lakes Trust regarding land at Waterbeach, which could be developed into a range of recreational facilities including an Olympic sized rowing lake.
- 12.4 **Tackling climate change.** Green energy is produced on the Estate by the wind farm and also crop production used for bio fuels. e.g. oil seed rape and sugar beet. This is market driven. Rising commodity prices and world food shortages have raised complicated questions about bio fuel crops.
- 12.5 Tenants have been encouraged to calculate the carbon footprint of their own farming operations using software made available by the Country Land and Business Association.
- 12.6 Consideration is being given to calculating the Carbon Footprint of the Estate. In tandem with that a programme to reduce energy loss by improved home insulation is under consideration. It is hoped that the Estate will be able to make a positive contribution towards the County Council's Carbon Reduction Commitment.
- 12.7 **Enabling people to thrive, achieve their potential and improve their quality of life.** The Estate represents one of the few opportunities for new entrants to enter farming with 60 tenants starting in the last 10 years. However questions often asked which are under investigation include: Could more farms be freed for new entrants if older tenants were able to retire more easily? Should established tenants be encouraged to move up the farming ladder by taking larger farms in the private sector?
- 12.8 The Estate does much to improve the quality of life of people in Cambridgeshire. In addition to the definitive public rights of way a network of permissive access linking into the public right of way network allows leisure opportunities across the County with 33 km provided and a further 250 km proposed. This is provided at low direct cost to the County Council with the assistance of Government grants. Many kilometers of hedges and hectares of woodland have improved the landscape and enhanced biodiversity. Government funding is becoming more difficult to obtain and the improved commodity prices make environmental schemes financially less attractive. To implement many of the access and environmental proposals on the current Farm Management Plans may begin to exert downward pressure on rents.
- 12.9 **Integrated Planning Process** offers the potential of further enhancing the returns from the Estate. Over 5 years £4.5m will be available for investments which can show a return. An early scheme is the provision of a new building at Fordham which will allow the release of a more valuable residential site. Other schemes which will be considered are tree and hedge planting to enhance long term capital values, home insulation, conversion of farm buildings for non-agricultural use, investigation of renewable energy ventures and extensions to farm houses.

12.10 For many years reinvestment on the Estate has been limited to an average of £100,000 per annum. The new programme represents a sea change and will require creative thinking by tenants and the Council alike. Every effort will be made to use the Council's investment to leverage further grant funding from the European Union's Rural Development Programme, which is administered by the East of England Development Agency. Joint venture schemes with tenants may help more ambitious schemes to be achieved. While returns from farming are buoyant and the regional economy is still growing this remains an opportune time for investing for the future.

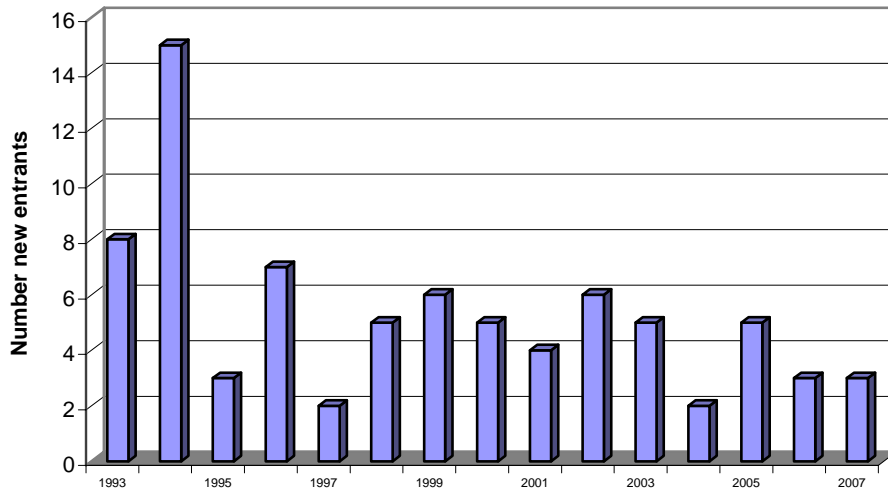
13.0 RECOMMENDATIONS

Members are asked to:

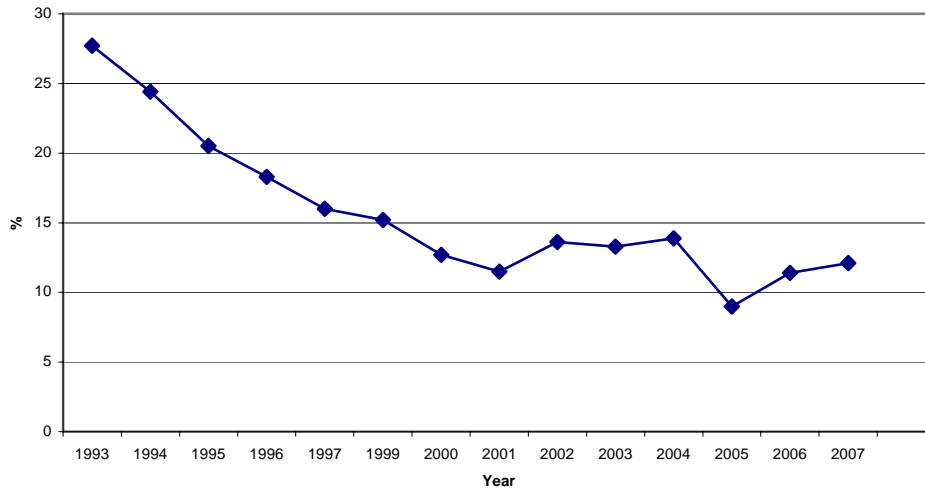
13.1 Note the progress made on the Estate in 2007-2008.



Number of new entrants to the Estate



Maintenance Costs as a % of rent



Net Operational Surplus

