

County Farms Estate
Annual Report
Financial Year 2005/2006

Property & Asset Management
Office of Corporate Services

1. INTRODUCTION

- 1.1 To report on progress during 2005/2006 on the implementation of the Farms Estate policies.
- 1.2 Areas covered include retention of estate, annual maintenance, capital improvements, sales, purchases, environment, public access, community value, management, governance, flexibility of letting, contracting, sub-letting, end of tenancy compensation, farm size and progression holdings.

2. EXECUTIVE SUMMARY

- 2.1 The revenue surplus has been increased from £1.96m to £2.06m. The surplus has been achieved largely by reducing expenditure.
- 2.2 Sales of surplus property achieved £209,500. The aim is to bring forward capital receipts while protecting the core estate. The sales figure includes an option agreement, which should yield more when it comes to fruition.
- 2.3 5 farms were let to new entrants covering 340 hectares and were advertised nationally. The quality of applications was variable but there were sufficient good quality people for the farms available.
- 2.4 26 school visits were made to the Estate mainly to sites with archaeological interest. 5 guided walks for the general public attracted on average 60 people each. The aim is to promote environmental protection and enhancement and access to the countryside by the public and schools.
- 2.5 The European Union Common Agricultural Policy (CAP) reforms, which have been under negotiation for several years, have been agreed and the practical implementation is now under way but with many problems. This has continued to affect general farmer confidence and impacted agricultural sales and lettings.
- 2.6 CAP subsidy payments have been delayed and this has resulted in cash flow problems for tenants, some of whom have been unable to pay their rent on time.
- 2.7 The review of the Estate objectives, policies, and plans was undertaken and has been separately reported on. *Insert hyperlink******

3. KEY DRIVERS IN 2005/2006

- 3.1 At the tenant level the main drivers have been low commodity prices and the uncertainty resulting from the implementation of CAP reforms.
- 3.2 Budget pressures at the County Council level have been exacerbated by short-term cash flow changes effecting rental revenue.

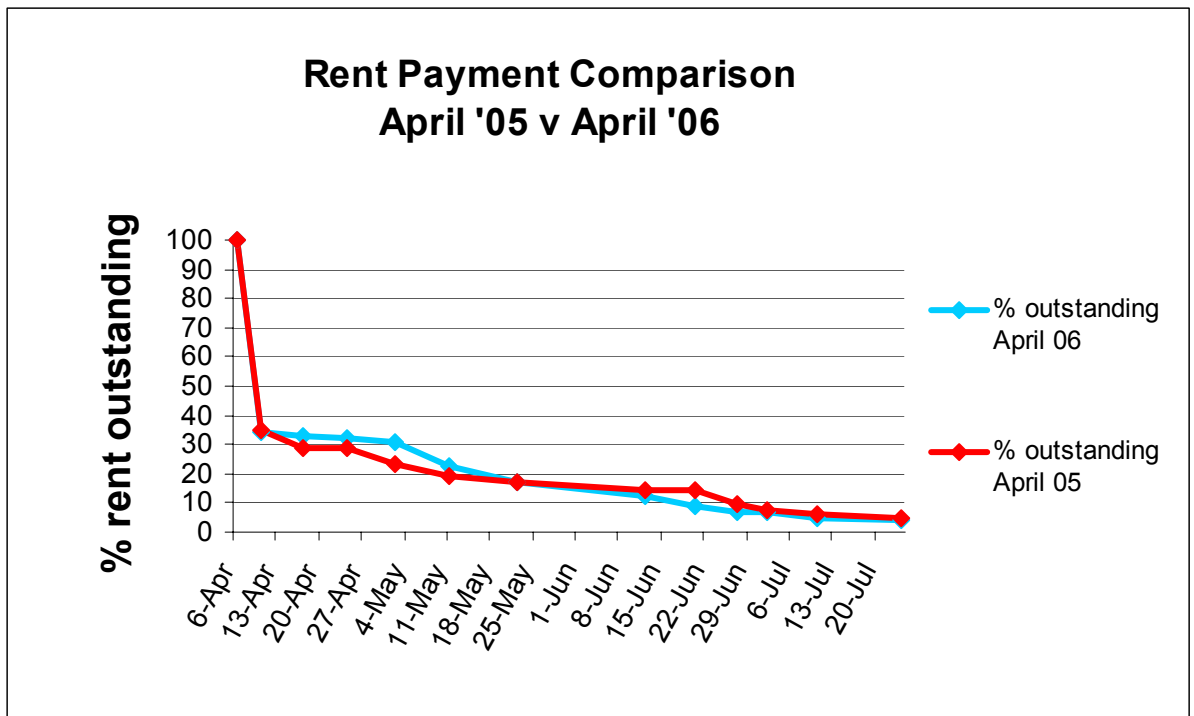
- 3.3 At the National level CAP reforms are being implemented with practical details being released by Government throughout the year. The implementation has been poor, with complex new schemes overloading the Rural Payments Agencies ability to deliver, resulting in confusion and delayed subsidy payments. It is likely that 2006 subsidy payments will be hit by a knock on effect.
- 3.4 The property market in Cambridgeshire and the southeast has continued to be buoyant.
- 3.5 The joint member/officer review has taken significant officer resources (in a team with several vacant posts) and some operational tasks are therefore 'on hold'.

4. FINANCIAL: CAPITAL RECEIPTS

- 4.1 Providing capital receipts is an important Estate objective and featured in discussions regarding the implementation of the revised policies and objectives. Sale of surplus property interests during 2005/06 achieved £209,500. This included an option agreement for a sale which hopefully yield a larger amount in time. We are continuing to investigate low cost housing opportunities and have several high value development sites at different stages of the disposal process. Lobbying is ongoing with regard to Council land in Local Development Framework's.

5. FINANCIAL: RENTAL INCOME

- 5.1 Opportunities to optimising different income streams featured in the review of estate policies and objectives. The pattern of rent payment has been similar to that of the previous year. The Council is seeing the benefit of tight control using the mechanisms provided by statute and tenancy agreements. This approach is firm but fair. Tenants with cash flow difficulties are encouraged to contact the Council at an early stage. One tenant was evicted in 2006, due to her failure to pay rent.



- 5.2.1 The revenue surplus generated by the Estate has increased to £2.06m. The gross Estate rent roll has fallen slowly since 1998 as a result of property sales and rent reductions. The increased surplus was largely achieved by reducing expenditure.
- 5.2.2 To protect single farm payments on some vacant land surrendered by tenants, 489 hectares was farmed in hand. This is a short term arrangement which will have longer term benefits for the Council.
- 5.2.3 Poorly implemented CAP reforms have delayed subsidy payments which in turn have caused cash flow difficulties for tenants and led to delayed rent payments. Historically farmers received subsidies, which may be an amount equivalent to the rent, in November each year allowing them to pay their rent due in October. In the last year many farmers had not received their subsidy payment in April.

6 FINANCIAL: ESTATE EXPENDITURE

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

Capital investment	£75,000
Planned maintenance	£150,000
Reactive maintenance	£70,000
TOTAL	£295,000

- 6.2 The proportion of rental income attributed to maintenance expenditure is tracked as one of the Estate's Performance Indicators.
- 6.3 There are legal obligations under the Tenancy Agreements for the Landlord to spend on maintenance needs. 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 sales policy of surplus dwellings 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	189	75,000	220,000	295,000	1630

- 6.5 Overall expenditure is on a downward trend. A survey of tenants found that there was increasing dissatisfaction with the level of expenditure on the Estate.
- 6.6 Farm properties are generally well maintained and in good order. Many poor quality and high maintenance houses have been sold. However farm roads and asbestos related issues 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.

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 In the period ending October 2005, the Council agreed revised rents with 3 tenants, 2 of whom had Farm Business Tenancies. All were agreed without recourse to arbitration. A further 5 had served Notices but did not take any further action.

7.3 In 2005 tenants served 13 Notices on the Council requiring rent reviews before October 2006. This compares with 7 in the previous year and 12 the year previous to that.

8. MANAGEMENT: LAND ALLOCATION 2005-2006

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 Five holdings were advertised nationally and to existing tenants in 2005. Three holdings had become available following early retirement, one following the death of a tenant and another following the bankruptcy of the previous tenant. The advertising campaign generated widespread media interest, and attracted over 30 applications. The final selection is carried out by a Member panel, which comprised, John Powley, Paul Sales, and Linda Crossely.

8.3 Since 1998 41 new tenants have started on the Estate. The provision of opportunities for new entrants is a key objective nationally as well as 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. A new tenant selection criterion, highlighting the importance of the environment, has featured in the review of policies and objectives.

8.4 In additions to the 5 advertised holdings there were a further 52 lettings to existing tenants which in total comprised 1400 hectares. This represents 10% of the estate.

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. They are also increasingly important financially as Government places more emphasis on non-food production. **Hedge Planting** schemes were completed in Oakington.

9.2 The **Countryside Stewardship Scheme**, through which Government has provided funding, is in transition this year and it was not possible to make a new application. However a survey of tenants in January 2006 found that 38% of tenants had entered the Entry Level Stewardship, the successor to the Countryside Stewardship Scheme. A further 34% were considering entering Entry Level Stewardship.

9..3 **Guided walks** 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 more than 60 people on average at each event. The partnership between County Farms and the Archaeological Field Unit has continued to be successful.

- 9.4 Twenty-six **schools visited** the estate in 2005/06; double that of 2004/05, with over 827 visitors and much media coverage.
- 9.5 The **Coronation Bowl** and **Jubilee Cup** competitions were judged by Paul Hammett, the NFU Senior Policy Advisor. The winner of the Coronation Bowl was Greg Gowler, Sparrowhall Farm, Wimblington. The judge praised the well-run farm, which was well placed for future challenges. David Wheatley, Willock Farm, Wisbech St Mary was awarded the Millennium Cup for his farming with attention to the environment.
- 9.6 Also notable in the past year have been:
- The annual farm walk this year hosted by George Munns at Westmoor Farm, Chatteris.
 - The annual cricket match for the Muckspreaders Cup between tenants and staff at Sutton Cricket Ground.
 - Annual tenant meetings at Denny Abbey and March.
 - Three tenant newsletters.
 - Hosted visit by the Association of Chief Estates Surveyors Rural Branch attended by Sir Don Curry.
 - Hosted a visit by staff from the European Union in Brussels.

10 PERFORMANCE: ESTATE STATISTICS

- 10.1 The table below shows that the number of tenants on the Estate continues to fall, 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
Bare Land	168	89	82	85
Part Equipped	42	34	30	32
Equipped	261	187	172	157
Total	471	310	284	274

11 PERFORMANCE: 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: -
- Number of new entrants
 - Capital receipts generated
 - No of Countryside Stewardship and Higher Level Stewardship schemes
 - Average age of tenants – long term holdings
 - Property maintenance costs as a % of rent
 - Net operational surplus
- 11.3 These indicators will be developed further to track implementation of the revised objectives, policies and Farm Management Plans.

12 KEY ISSUES LOOKING FORWARD

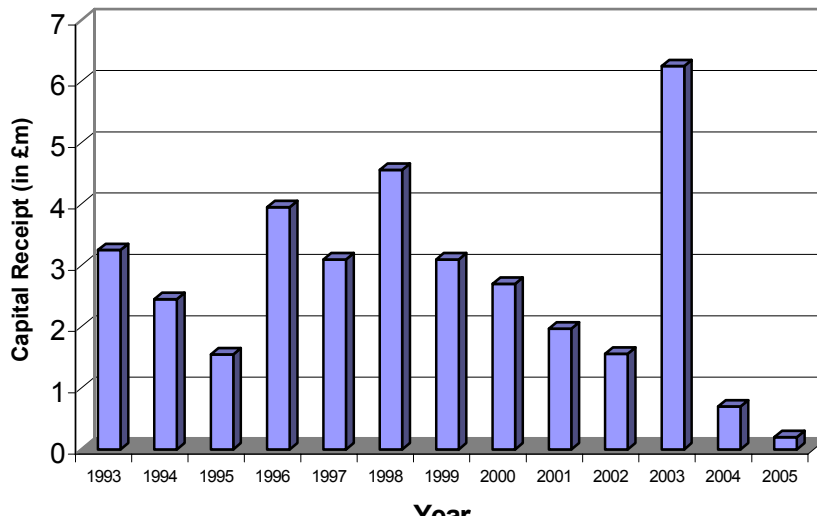
- 12.1 **Implementation of the review approved by Cabinet in July 2006** has begun with national advertising of farms to let in accordance with the revised policies and face-to-face meetings with tenants. A programme of initiatives, which will bring forward some of the benefits of the new policies is in preparation.
- 12.2 Implementation must be matched with **resource availability**. For example up front investment is often required to bring forward capital receipts. This may be for planning representations, landscaping or replacement of buildings, which are to be sold.
- 12.3 **Staffing** has fallen from a peak of 16 in the mid 90's to two full time qualified staff, a graduate trainee and qualified person who works two days each week. The part time member of staff expects to take maternity leave at the end of 2006. With a small team, work has become more reactive, customer service has suffered and many of the more innovative projects for which the Estate has become known are not being developed. It is hoped to recruit a non-professional member of staff to carry out routine tasks but it remains to be seen if this will be sufficient. Recruitment of professional staff has been unsuccessful.
- 12.4 **Continuing reform of the European Union Common Agricultural Policy** will impact on tenants and the Estate. The system of support for sugar beet growers is now about to change. This will make the crop unviable for some. One effect will be to increase the pace of structural change on the Estate. This while difficult for many tenants will provide opportunities for others.

13.0 RECOMMENDATIONS

Members are asked to:

13.1 Note the progress made on the Estate in 2005-2006.

Capital Receipts



Number of new entrants to the Estate

