

## **County Farms Estate Annual Report 2008-2009**

### **1. INTRODUCTION**

- 1.1 To report on progress to the 2008-09 financial year-end and 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, environmental initiatives, public access, social initiatives, performance indicators and key issues looking forward.

### **2. EXECUTIVE SUMMARY**

- 2.1 A target revenue surplus of £1.907m was achieved and supported by new income streams such as the Red Tile Wind farm.
- 2.2 Sales of surplus property achieved £3.5m. The aim is to bring forward capital receipts while protecting the core estate.
- 2.3 After a national advertising campaign one farm covering 90 hectares was let from Michaelmas 2008 to a new entrant. The quality of business plans from applicants was excellent and the chosen candidate and his young family have settled in well.
- 2.4 For Michaelmas 2009 three farms were advertised in January 2009 attracting unprecedented interest following wide media coverage. Three candidates have been chosen.
- 2.5 Almost forty school visits and five guided walks for the public were made to the Estate, mainly to sites with archaeological interest, but an increasing number to sites with environmental 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.
- 2.6 The Better Utilisation of Property Assets programme (BUPA) has led to reinvestment schemes of £370,000 which will improve the Estate's revenue potential and asset value together with important non financial benefits.
- 2.7 2009 marks the Estates Centenary Year and plans are underway to mark this occasion.

### **3. KEY DRIVERS IN 2008/2009**

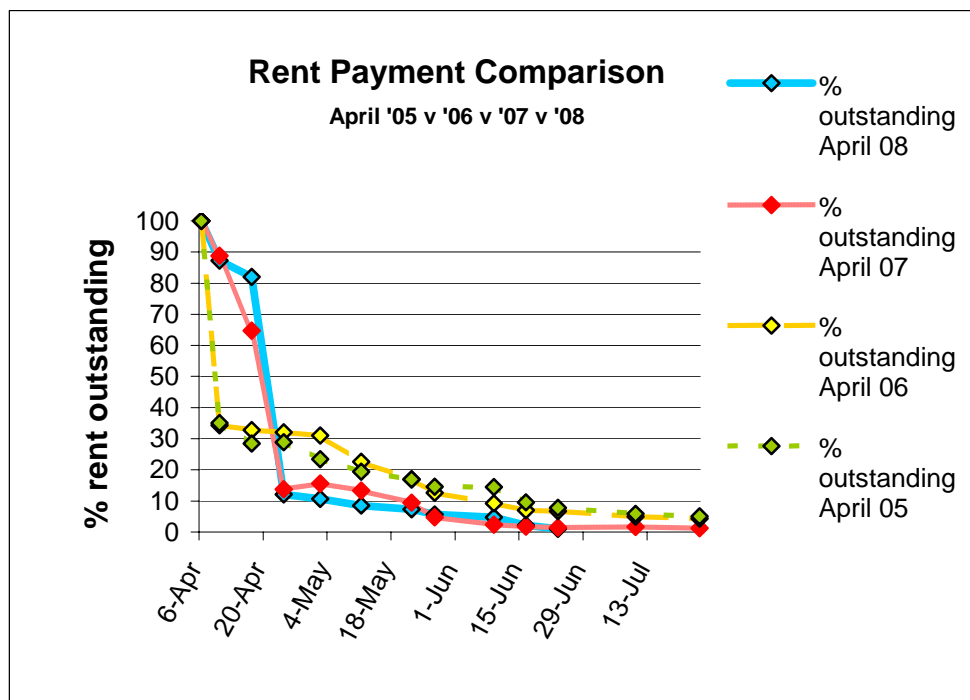
- 3.1 For tenants the main drivers have been the volatility of the commodity market, increased input costs and a protracted wet harvest.
- 3.2 The property market nationally has weakened with falling house values and stagnant sales of agricultural land.

#### 4. FINANCIAL: CAPITAL RECEIPTS

- 4.1 Producing capital receipts is an important Estate objective. In 2008/09 60 ha of surplus property were sold and achieved £3.5m. This included a 39 ha site at Burwell sold to the National Trust which will form part of their Wicken Vision, 7 surplus dwellings and 3 sales to tenants under the Opportunity to Buy scheme.
- 4.2 A number of properties with estimated receipts of over £4m are at different stages of being sold, from marketing through to exchange of contracts. These including farms at Doddington, Littleport, March, Upwood and Ramsey.
- 4.3 We are continuing to investigate low cost housing opportunities at Landbeach, where an initial planning application has been unsuccessful and also at 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. Although the 2008 harvest was difficult returns have been reasonable. In addition the Rural Payments Agency (RPA) is becoming prompter with payments. Tenants with cash flow difficulties are encouraged to contact the Council at an early stage, and that approach has been welcomed by the National Farmers Union. The few difficulties encountered have been as a result of delayed payments from the RPA.



5.2 The annual revenue surplus generated by the Estate is £1.907m. This surplus is planned to increase to £2.05m in 2009/10 as a programme of rent reviews increases the rental revenue over and above the reduction arising from property sales.

## 6. FINANCIAL: ESTATE EXPENDITURE

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

Capital investment	£370,000 ( <i>through BUPA see para 13</i> )
Planned maintenance	£294,561
Reactive maintenance	£143,978

**TOTAL** **£ 808,539**

6.2 In addition there was a further £202,000 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 1*).

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 planned maintenance programme on a five-year cycle.

6.5 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	1,865
99/00	228	120,000	355,000	475,000	2,083
02/03	202	110,000	335,000	445,000	2,203
05/06	202	75,000	220,000	295,000	1,460
06/07	198	110,000	271,000	381,000	1,924
07/08	193	0	286,000	286,000	1,481
08/09	166	370,000	438,540	808,539	4,871

- 6.6 Farm properties are generally well maintained and in good order. However farm roads are using an increasing amount of the maintenance budget, a trend that is likely to continue. Increasingly tenants are requesting more capital expenditure on the Estate, in particular for storage buildings and the Council's BUPA programme will meet more of those demands.

## **7. 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.
- 7.2 For the tenancy year ending October 2008, the Council have agreed revised rents with 83 tenants. Negotiations are continuing with two others. Arbitrators have been appointed but hopefully arbitration will not be required. Two rents for land which the Council leases were also reviewed. Rents were increased in all cases.
- 7.3 In 2008 the Council served 74 Notices on tenants with the expectation of agreeing increased rents before October 2009. Projected commodity prices appear steadier but input costs have been high although are now falling. The importance of food to an increasing world population offers some encouragement to farmers that there will be greater demand for their produce.

## **8. MANAGEMENT: LAND ALLOCATION 2008-2009**

- 8.1 The allocation of land is based on the Farm Management Plans which are a plan based expression of the Council's policies and objectives agreed in 2006.
- 8.2 One holding covering 90 hectares at Warboys was advertised nationally in 2008. The advertising campaign generated widespread media interest and attracted fourteen 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 more than sixty new tenants have started on the Estate which compares favourably with other local authority owned estates. 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 ongoing to promote opportunities to new entrants to the tenanted sector. The Fresh Start initiative, a national programme to help train new entrants to farming, is actively supported by the County Council.
- 8.4 The revised tenant selection criterion, highlighted the importance of environmental issues and was an outcome of the 2006 review of policies and objectives.

- 8.5 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 at:
- Burwell – equestrian;
  - Earith – equestrian;
  - Landbeach – children's nursery; and
  - March- agricultural engineer.
- 8.6 Also in recent years eight houses have been let through intermediaries such as King Street Housing Association and Luminus at Landbeach, Burwell, Littlington, two at Shelford, Whittlesford, Ramsey, Warboys. These are interim arrangements, which provide local social housing for rent, while protecting the Council against "Right to Buy" and enabling flexibility pending sale for future development.
- 8.7 In addition to the advertised holding there were a further twenty-three lettings to existing tenants, which in total cover an area of 833 hectares or 6% 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 economic climate and the aging farming population.

## **9. MANAGEMENT: ENVIRONMENTAL, ACCESS AND SOCIAL INITIATIVES**

- 9.1 Environmental and public access initiatives are a 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, the European Union and the public have placed more emphasis on non-food production.
- 9.2 Growth Area Funding provided by the Department for Communities and Local Government has been used to improve public access to the countryside around the Northstowe development, most recently at the Les King wood near Cottenham.
- 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. However three schemes at Manea, Whaddon and Stow-Cum-Quy were all successfully entered into HLS.

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; and
- Stonea Camp, Wimblington.

These have been very well attended with almost 1500 people and 39 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 now they are outsourced.

9.5 In addition there have been 15 school visits to Gareth Davis's farm at Reach organised through the Upware Centre which is part of the Cambridgeshire Environmental Education Service. At Kingsland Farm, Whittlesey Richard Stevenson receives weekly groups from a nearby special needs school who enjoy fishing on the fishing reservoir he has established.

9.6 The successful association with the Barn Owl Conservation Network continues with more than 40 barn owl boxes maintained and monitored across the Estate and plans to provide additional boxes.

9.7 Major improvements were carried out at heavily used public access sites at Worts Farm, Landbeach and Giants Hill, Rampton. Both have ancient moated dwellings sites which are Scheduled Ancient Monuments. These were being damaged by the scrub growth and trees which were removed in consultation with English Heritage, Natural England and the Council's archaeologists.

9.8 In the last 20 years many kilometers of hedge and hectares of wood have been planted on the Estate. On productive land these have grown well. Many of the woods now require thinning to make them more accessible for the public and to improve biodiversity. 40 woods were surveyed this year and some preliminary work has been done at Cottenham and Doddington with the lessons learned being implemented over the next few years.

9.9 Hedges require regular cutting to improve their shape and make them better for wildlife. This is usually the tenant's responsibility and there are excellent examples visible across the Estate. Better hedge management will be promoted in the next year. Prominent unmanaged hedges at Stow-Cum-Quy and Waterbeach have been laid this year with the help of contractors and workers on community service who are supervised by the Probation Service.

9.10 The Estate has provided several sites for community uses and social involvement:

- At Brampton, Isleham and Soham Parish Council's are let land, which they use for allotments. New allotment sites are being investigated at Bassingbourn and Whittlesey.

- 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 have let 10 hectares of mature woodland, known as the Beechwoods, to the Wildlife Trust.
- District Council's in Cambridgeshire are investigating potential Gypsy and Travellers sites across the County and including the Estate as part of the Local Development Framework process.

9.11 Notable activities in the past year have been:

- The annual cricket match for the Muckspreaders Cup between tenants and staff at Sutton Cricket Ground;
- Annual tenant meetings at Stow-cum-Quy and March with a focus on the global economy and its effect on farmers;
- Two tenant newsletters covering a diverse range of topics; and
- A productive annual meeting of Members and officers with National Farmers Union and tenant representatives.

## 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.

<b>Holding Type</b>	<b>1996-97</b>	<b>1999-00</b>	<b>2002-03</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Bare Land	168	89	82	85	77	68	67
Part Equipped	42	34	30	32	35	33	31
Equipped	261	187	172	157	144	140	135
Total	471	310	284	274	256	241	233

## 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 are tabled in Appendix 1 and include the following: -

- Capital receipts generated;
- Number of new entrants;
- Maintenance costs as % of rent; and
- 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 amongst others the Crown, the Church Commissioners, the Duchy of Cornwall, the National Trust and the Oxbridge colleges.
- 11.4 A financial summary for the Estate covering the balance sheet, profit and loss and rental return on capital investment are measured and detailed in Appendix 2.

## **12. STAFFING AND OPERATIONAL ISSUES**

- 12.1 Staff retention has been an issue for the Farms Estate, in common with the rest of the County Council. There have consistently been several unfilled posts since 2002. The organisational structure has been changed several times and although some new staff have been recruited they have not stayed. Since 2005 regular recruitment campaigns have been unsuccessful.
- 12.2 A Framework Contract arrangement has been used to procure specialist services for example valuation, sales and building surveying. This has worked well and extended the Council staff's capacity to manage the Estate. In December 2008 the Framework arrangement was used to secure the secondment of an experienced member of staff from Bidwells for an initial six months period. This arrangement is working well and will be reviewed but is not expected to be the long-term solution.

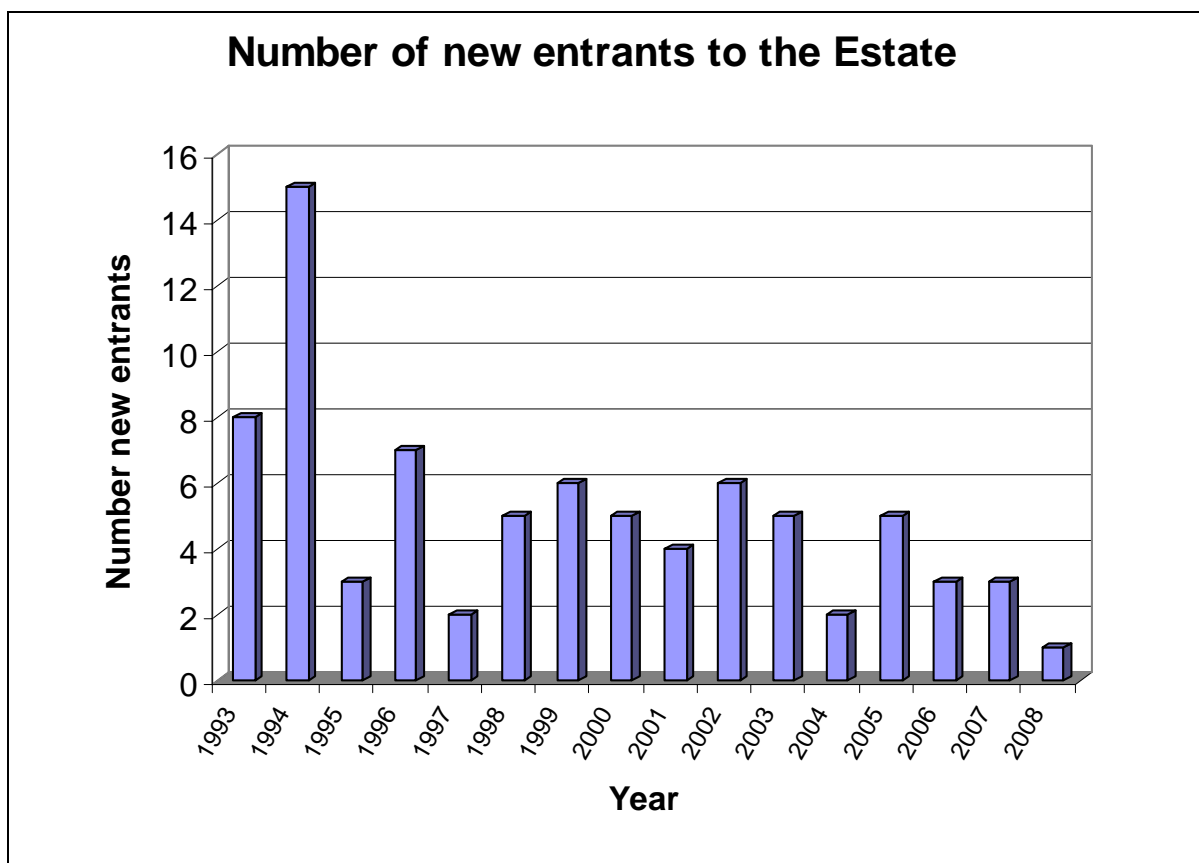
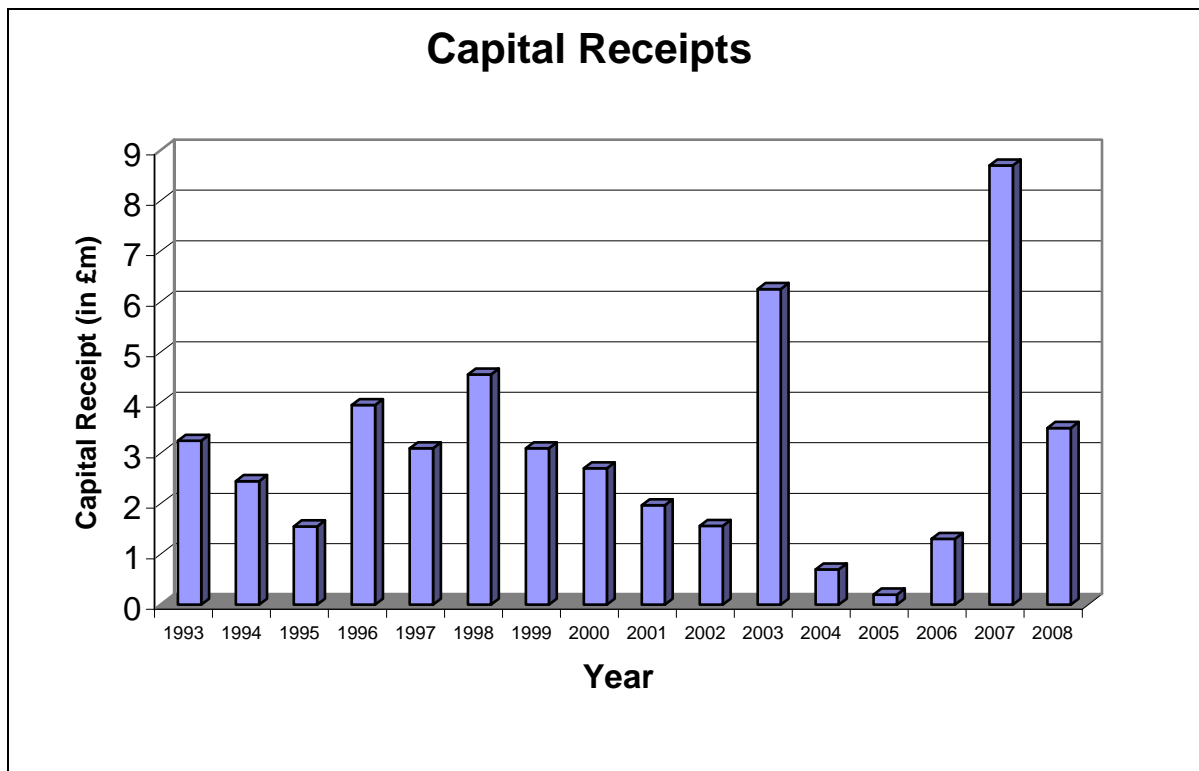
## **13. BETTER UTILISATION of PROPERTY ASSETS and KEY ISSUES LOOKING FORWARD**

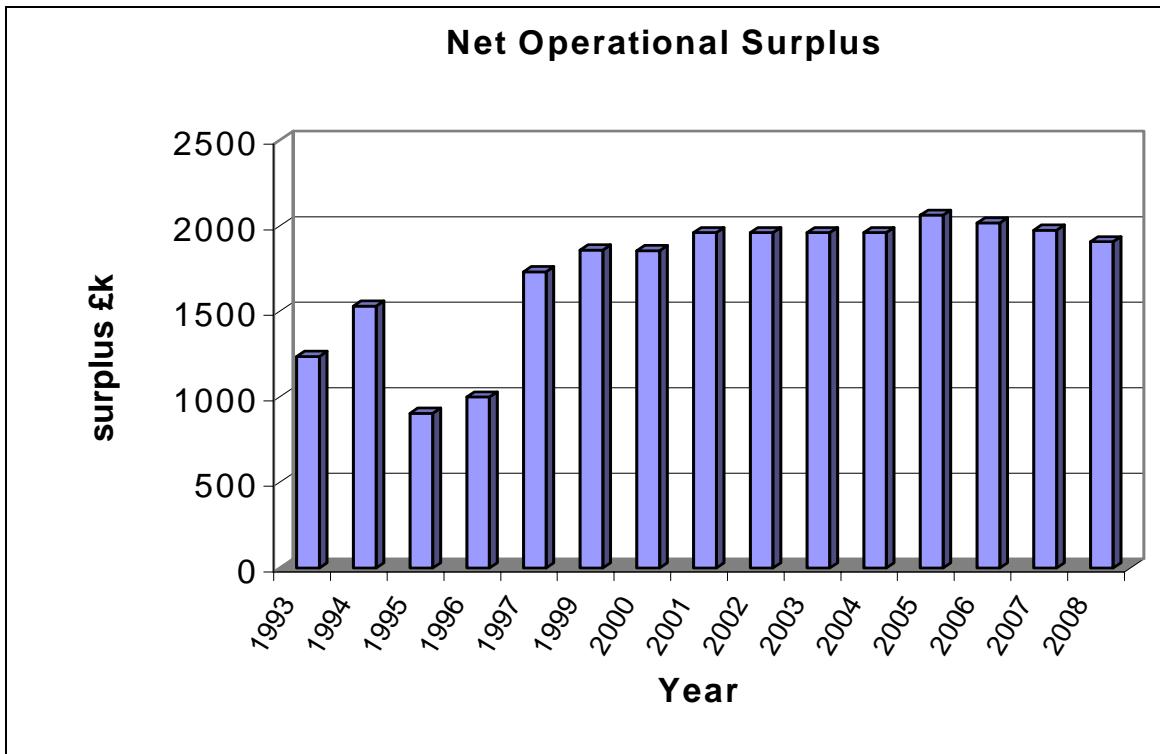
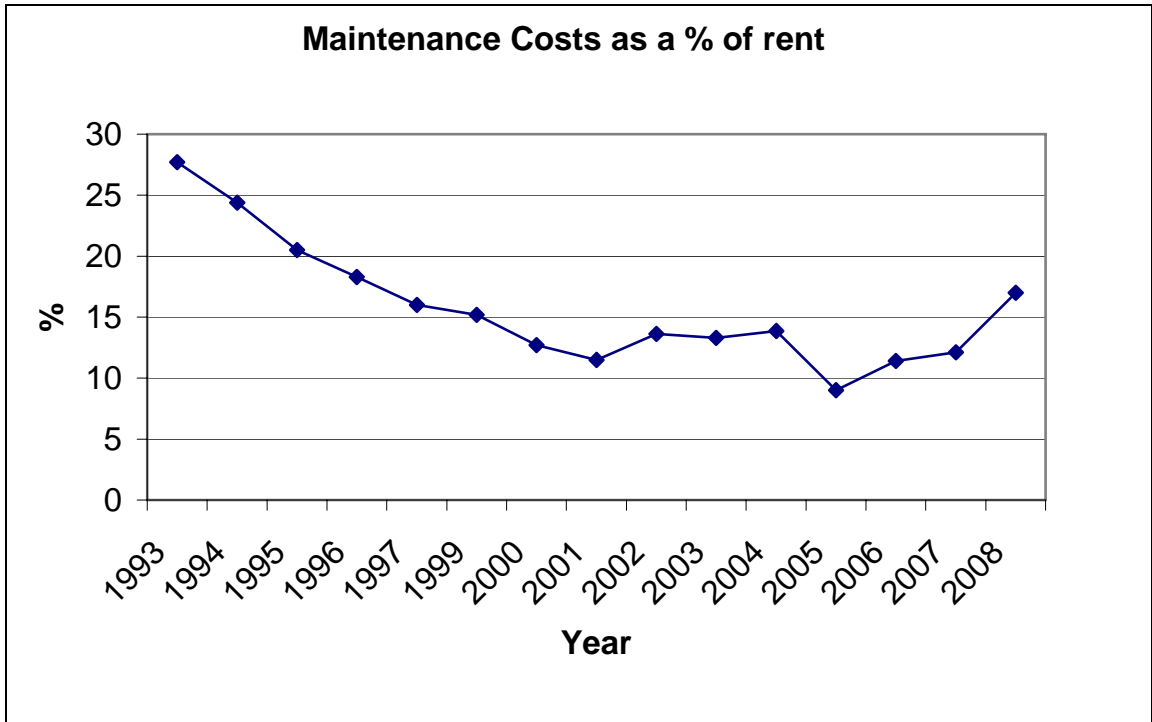
- 13.1 **The Better Utilisation of Property Assets programme** has made a successful start in its first year of operation with £370,000 reinvested. Over 5 years £4.5m from capital receipts will be available for reinvestment. A return on this investment must be made by improving revenue return, increasing asset value or producing a range of non financial returns such as improving public access to the countryside, improving the carbon footprint profile, or enhancing the ecological diversity of the Estate.
- 13.2 The first major investment scheme was a new crop store at Fordham which allowed the release of a valuable residential site. This was followed by a house amalgamation and refurbishment at Soham, several farm electricity supplies upgraded to 3-phase, a major programme to improve residential insulation which will reduce the Estates carbon footprint and a tree and hedge planting scheme at Trumpington which will enhance long term capital values.

- 13.3 Several house extensions are currently at the feasibility stage and an investigation has commenced into improving the marketing by tenants who sell direct to the public at farmers markets and farm shops.
- 13.4 For many years reinvestment on the Estate has been on average £100,000 per annum. The BUPA 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 the more ambitious (but equally sound) projects to be achieved.
- 13.5 **Growth and development of Cambridgeshire's communities.** Following rent reviews in 2008 and with better prospects for rental growth the rental surplus for 2009-2010 will be increased from £1.907 to £2.05m. 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 remains for some volatility as markets react to global pressures.
- 13.6 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. All current sales are taking longer to achieve and are raising less than when the market was at its peak. Development land sales have largely stopped but as the underlying reasons for growth in the Eastern region remain when the economy recovers these sales will continue.
- 13.7 Both capital and revenue contributions are important to the Council's growth agenda and the availability of land is also important. The sale of 40 hectares at Reach to the National Trust is an important contribution by the Council to the "Wicken Vision". Protracted negotiations continue with the Cambridge Rowing Lakes Trust regarding land at Waterbeach, which could be developed into a range of recreational facilities including an Olympic sized rowing lake.
- 13.8 **Tackling climate change.** Green energy is produced on the Estate by the wind farm and crops are used for bio fuel production. 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.
- 13.9 The Council is undergoing a major programme with funding from BUPA, to upgrade home insulation on its Estate. Most of the farmhouses have double-glazing but those that do not are being upgraded. With assistance from energy providers dwelling walls and lofts are being insulated where possible. Three crop stores for high value crops have also been insulated with significant reductions in fuel consumption.

- 13.10 The Red Tile wind farm has now been operational for two years. Consideration is being given to further wind farms on the Estate and approaches have been made by various businesses. This will require consultation with Members and local communities.
- 13.11 **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.
- 13.12 The Estate does much to improve the quality of life of people in Cambridgeshire. In addition to the definitive public rights of way there is a linking network of permissive accesses this allows leisure opportunities across the County with 33 km of routes 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.
- 13.13 Local Nature Reserves have been created at Isleham, Swavesy and Somersham with a further reserve proposed at Landbeach. These have been created in partnership with colleagues in the former Office of Environment and Community Services and will forge closer links with local communities.
- 13.14 2009 is the **Centenary Year** of the Council's Farms Estate. The enabling legislation was enacted in 1908, with the first farm acquired in December 2008. In 1909 a major acquisitions programme was undertaken. Plans are underway on how to mark this with the assistance of Tenants, Members and other colleagues.

Performance Indicators





## FINANCIAL SUMMARY 2008-09

## County Farms Estate Balance Sheet

Opening asset value April 08 <sup>(1)</sup>	£68,975,638
<u>Less</u> sales	£3,554,346
<u>Add</u> capital investments at cost	£370,000
Closing asset value at March 2009	£65,791,292

Notes <sup>(1)</sup> The Estate is valued at its existing use value (i.e. at let agricultural value) and a proportion of the Estate is valued each year on a 5 year rolling programme.

## Profit and loss

<b>Income</b>		
Farms rent	£2,426,859	
Other business income	£122,607	
		<b>£2,549,466</b>
<b>Expenditure</b>		
Maintenance	£438,540	
Other expenditure <sup>(2)</sup>	£203,565	
		<b>£642,105</b>
<b>Surplus</b>		<b>£1,907,361</b>

Notes <sup>(2)</sup> Staffing costs are corporately funded.

## Return on capital investment

Net surplus	£1,907,361
Closing asset value at March 2009	£65,791,292
Rental return on capital investment	2.9%