

COUNTY FARMS ESTATE STRATEGIC REVIEW

To: General Purposes Committee

Meeting Date: 28th July 2015

From: Chief Finance Officer and Head of Strategic Assets

Electoral division(s): All

Forward Plan ref: N/A Key decision: No

Purpose: To consider a strategic review of the Council's 34,000 acre estate.

Recommendation: The Committee endorses the proposal to carry out a review of the County Farms Estate on the basis set out in this report, in consultation with Treasury Strategy Review Working Group.

<i>Officer contacts:</i>	
Name:	Roger Moore/John Macmillan /Hugo Mallaby
Post:	RM: Head of Strategic Assets JM: Group Asset Manager HM: Rural Asset Manager
Email:	Roger.moore@cambridgeshire.gov.uk john.macmillan@cambridgeshire.gov.uk Hugo.mallaby@cambridgeshire.gov.uk
Tel:	RM: 01223 507268 JM: 01223 699092 HM: 01223 728359

1. BACKGROUND

- 1.1** The Council owns a 34,000 acre rural estate, the largest of its kind in England and Wales with over 200 tenants. The origins of the Estate date back over 100 years.
- 1.2** The Estate's strategy has been reviewed on a regular basis with the most recent review being a Member-led scrutiny panel in 2011 which concluded that the Council obtained good value for money. Previous reviews were completed in 2001 and 2005.
- 1.3** Further reviews have been delayed until the ongoing changes to the European Union's Common Agricultural Policy became clearer. The new Basic Payment Scheme has come into effect, with farmers making their first claims under the new scheme in June 2015.
- 1.4** Ongoing fiscal constraints on the Council have driven the need to increase revenue and capital returns across all of its assets to supplement reductions in central Government grant, and the rural estate with its steadily increasing revenues is making an important contribution.
- 1.5** The current policies encourage new farming entrants onto the estate, with 80 new businesses formed in the last 15 years; new tenants for this period had an average age of 30 when they first started. The estate's rent roll has increased from £2.755 million to £4.024 million since the scrutiny review of 2011 whilst the surplus has increased by 65% to £3.173million in the same period.
- 1.6** Previous reviews have taken up to 6 months to complete, involved a cross party Member group, meeting with different stakeholders and occupied several members of staff.
- 1.7** External consultants have previously advised on reviews, with a full involvement initially but in recent reviews providing challenge and external validation.

2. MAIN ISSUES

2.1 Extent of Review

- 2.1.1** A thorough review is proposed, which will allow members to consider how the Estate is managed in future and will look at the following areas:
 - The estate's current capital value.
 - Categorising future strategic development potential.
 - How much income the estate could potentially generate if it was run with different objectives. i.e. a solely financial focus
 - Investigate renewable energy schemes on better quality land to include Grades I and II.
 - Non-financial objectives.
 - Benchmarking the estate with others in the public and private sectors.
- 2.1.2** A combination of internal and external resource will be used to carry out the strategic review. The Estate valuation, which is a detailed and time consuming task, will be carried out externally.

- 2.1.3 It is proposed that regular updates are given to the Treasury Strategy Review Working Group on the progress and direction of the review.

2.2 Capital Value

- 2.2.1 The Council is under a statutory duty to provide a rolling annual valuation of the estate to the Chartered Institute of Public Finance and Accountancy, with valuations for each Farm Management Plan (FMP) updated on a five yearly basis. The method of valuation is prescribed and is meant to provide a book value only, but this type of valuation does not provide the information required to benchmark the estate's financial performance and its current market value.
- 2.2.2 A market valuation will be commissioned.

2.3 Categorising future strategic development potential

- 2.3.1 Development potential is continuously reviewed however a strategic review of the Estate offers an opportunity to step back and take an overall view highlighting opportunities which may exist in the short, medium or long term and in particular strategic land, where the potential for development may be long term. i.e. more than 15 years away.
- 2.3.2 Existing and proposed District/City Council local plans will be reviewed to identify potential development opportunities and areas where representations should be made to influence future plans. Internal and external market intelligence will also be used.

2.4 Revised Estate objectives

- 2.4.1 The estate currently has 193 tenants running farming and other businesses. Farm diversification enterprises vary from children's nurseries, a care farm, farm shops, educational initiatives and agricultural machinery engineering, with income generated increasing by £1.269 million (46%) since the scrutiny review in 2011.
- 2.4.2 Land when vacant has been let to established tenants to create more viable farms and to new entrants to provide the next generation of tenant farmers. When appropriate, public access and care for the environment is encouraged.
- 2.4.3 A different approach might be to let land to the highest bidder, which may be to well-established private sector landowners; to consider large scale contract farming rather than tenancies or to discontinue public access or environmental schemes, which may impact on the revenue or capital values.
- 2.4.4 The review will:
- Examine estate objectives to determine alternatives for revenue and capital,
 - Examine Estate objectives to determine alignment with wider Council policies

2.5 Renewable Energy

- 2.5.1 The review will look at potential renewable energy opportunities across the estate, including the possibility of extending the creation of field-scale solar parks to higher quality Grade I and Grade II agricultural land by assessing Government policy and taking specialist external advice. Previously only

lower quality Grade 3 and below was considered.

2.6 Non-financial objectives

2.6.1 The current objectives encourage multi uses of the estate for, amongst other things, the environment (including woodland), public access and rural business opportunities by encouraging new entrants into farming and other rural enterprises. Approximately 60% of existing tenants have environmental schemes on their farms, including some managed directly by the Council, who receive the grant monies associated with these schemes.

2.6.2 The review will look at:

- potential opportunities for new farming and rural business tenants on the estate.
- the wider benefits to the local community, including care for the environment , woodland creation and management and promotion of public access across the estate.
- employment opportunities across the estate.

2.7 Benchmarking

2.7.1 The estate's performance will be benchmarked with other public and private sector estates using external consultants' benchmarking tools, and the Savills/IPD property benchmarking index, which also compares different land uses – i.e. residential and commercial uses.

3. OUTLINE PROGRAMME

- **General Purposes Committee:** Presentation of paper 28th July
- **Consultations:** With stakeholders, possible engagement of external contractors and collation of information – **3 months**.
- **Initial Report:** Presenting results of consultations and setting out proposals to General Purposes Committee (GPC) for comments – **1 month**.
- **Responses to Queries** from GPC members – **1 month**.
- **Final Report:** for approval by GPC – **the following GPC Meeting**.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

The estate currently supports over 200 small businesses across the county

3.2 Helping people live healthy and independent lives

The estate provides 3,216km of public rights of way and 42km of permissive routes across the County with benefits for exercise, leisure and health.

3.3 Supporting and protecting vulnerable people

The surplus generated by the estate helps to support front line services provided by the Council.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

The cost of engaging external consultants.

Quotations will be sought from external consultants to value the estate on a “Market Value” basis and for both carrying out the whole review and for acting as a sounding board – in effect a non-executive director role.

Consideration has been given as to whether the report could be delivered within a shorter timeframe if the entire scope of the review were to be placed with an external consultant. It has been concluded that this would be unlikely. Consultants would rely on Council staff to provide background information and insights to the extent that there is duplication of effort. Also if consultants are procured for the whole review there will be a delay before they are procured and before work could commence.

The cost of obtaining market reference data including market valuations is estimated to be between **£50,000 and £75,000**; the cost of delivery for completing the whole review, if instructed separately from the valuation, is estimated at **£60,000 to £75,000**, although savings would be expected from economies of scale if both elements are awarded to a single consultant.

4.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

4.3 Equality and Diversity Implications

There are no significant implications within this category.

4.4 Engagement and Consultation Implications

The review process will engage with local stakeholders, including tenants and members.

4.5 Localism and Local Member Involvement

Local members will be invited to engage with the consultations.

4.6 Public Health Implications

There are potential implications to public access and environmental policies and features on the estate.

Source Documents	Location
County Farm management maps	1 st Floor Octagon Shire Hall