

Rural Assets Outcome Focused Review

1.0 RURAL ASSETS BACKGROUND AND CURRENT POSITION

- 1.1 Cambridgeshire's County Farms Estate (CFE) is the largest estate of its kind in England and Wales at 13,400ha and includes 4 wildlife sites. A map of the County Farms Estate can be viewed online <http://my.cambridgeshire.gov.uk/?tab=maps>
- 1.2 Key data relating to the estate is included below.

County Farms Estate Breakdown	
Number of holdings	196
Number of tenants	181
Average holding size	68ha
Number of farmhouses	150
Number of let residential properties	4
Number of local wildlife sites	4
Renewable energy sites, including small scale solar, wind farms and the Soham Solar Park	55
Financial	2016/17 (£'000)
Income	4,546
Expenditure	900
Surplus	3,646

- 1.3 The estate provides the Council with an important financial return. In 2016/17 the income raised through rentals was £4.546 million; capital receipts from easement agreements and the sale of 0.01ha totalled £386,000. The Council-owned 60 acre solar farm site in Soham makes a significant contribution to income. The solar farm has been running since December 2016. In 2028/29 once the investment loan has been repaid, the Council will move from making £350,000 a year to a forecast £1 million.
- 1.4 The 2016/17 return on investment equates to 3.12% (excluding the Solar Farm). If Savills' 2015 existing use valuation is used, the return is 1.92%. Savills' Vacant Possession value assumes no income, as all assets are available to sell free from the current tenancies.
- 1.5 The management of the rural assets estate is currently undertaken by the Rural Assets Team which sits under the Property and Estates function. The team consists of a Rural Assets Manager, 2fte Principal Surveyors (currently 1fte vacancy), Graduate Surveyor and Estates Officer. A structure chart accompanies this report.

The key activities of the team include:

- Re-lettings/end of tenancy matters
- Rent reviews
- Compliance including health & safety, tenancy terms and tree management
- Repairs and maintenance
- Sales
- Renewables
- Environmental

2.0 FINDINGS

Phase 2 exploratory work has highlighted a number of viable opportunities across the rural assets portfolio and a range of potential delivery vehicles which should be explored to maximise the value and impact of rural assets.

The following key lines of enquiry have emerged and form the basis of much of the activity that has taken place during the OFR to date, including the development of an evidence base and testing assumptions around these areas:

- a) Key business activities, systems and processes
- b) Relationships with stakeholders
- c) Finance and revenue

2.1 Key business activities, systems and processes

2.1.1 Organisational Outcomes/Social Value

Principally, the County Farms Estate is aligned with the following CCC outcomes:

Outcome	Contribution to Outcome
Cambridgeshire economy prospers to the benefit of all Cambridgeshire residents	<ol style="list-style-type: none">1. The Council's rural assets contribute to the delivery of the strategic outcomes through generation of £3.646m net profit per annum and through the retention of a significant capital asset.2. NFU research suggests that for every £1 of public investment, £7.40 is returned to the economy (<i>NFU: Vision for the Future of Farming – A New Domestic Agricultural Policy (March 2017)</i>). This equates to approximately £19.5million from CCC tenants.3. CFE is a source of capital for essential estate reinvestment which assists rural economic generation and contributes funding for the provision of other Council services.

	<p>4. CFE provides a means of entry into farming/and or diversified rural businesses for those who may not otherwise have the opportunity to farm including supporting the aspirations of the young farming community. Over the past two years there have been 11 new tenant farmers enter the CFE and 100 since 2000.</p> <p>5. CFE is a valuable source of rural employment opportunities in remote locations. Research carried out by the Council in July 2013 (<i>County Farms Holding Consultation (unpublished)</i>) indicated that 1,300 jobs are created by the CFE at peak times each year, including seasonal workers</p> <p>6. CFE provides the opportunity for tenants to establish and develop viable business enterprises.</p>
People lead a healthy lifestyle and stay healthy for longer	The estate has been used to open public access to the countryside with miles of new bridleways and footpaths to improve the landscape with new woods and hedges and protect biodiversity and archaeology.

The current arrangements for the management of the rural assets mean it is not possible to accurately quantify the social benefits of the rural assets estate on the Cambridgeshire economy, and the historic factors for retaining this asset around provision of business opportunities is not an area that has routinely been considered in any detail. Moving to the next phase of the OFR will provide the opportunity to explore in greater depth the value of the estate to the Council and to Cambridgeshire through commercial and social lenses.

2.1.2 Management, systems and processes

The Strategic Review carried out in 2016 by Savills recommends developing an asset management plan classifying individual holdings and identifies landholdings with short/medium/long term development potential.

Some of the systems and processes in place do not maximise the potential opportunities to diversify the use and value of the estate, and the service as it stands does not have the capacity necessary to maximise the potential income, or promote the diversification and innovation opportunities to their fullest advantage.

CCC's tenant application process is in the process of being adopted by Suffolk and Norfolk County Councils. Preliminary feedback from tenants suggests that there is still some scope to improve the current application process and CCC's current approach to attracting the new tenants that will maximise delivery of outcomes and income.

The feedback gathered by Savills as part of the review suggests that there is scope to improve the current systems and processes in place to be more responsive to tenants'

requests for repairs, improvement and maintenance. In doing so, there is the opportunity to review and potentially reduce or minimise the cost of repairs and maintenance by adopting an alternative approach to commissioning to ensure best value.

There is an opportunity to increase business intelligence work carried out regarding the CFE.

2.2 Relationships with stakeholders

Currently feedback is obtained from tenants to inform service improvement and development through regular contact. However this approach could be made more consistent by the development of an exit interview process and ongoing engagement forums.

During Phase 3 of the review, a full summary of stakeholder feedback regarding their experience of the service will be produced to inform the decisions regarding the future of the service.

To date, we have produced a random sample of 30 of our tenants. 7 of these 30 have already responded to our questions, providing us with a mixed review of their experience of the support provided by the CFE Service. The feedback received so far highlights the need to proceed to the next stage of the OFR process and gain more views as part of this. An initial information gathering meeting to explore alternative management models and opportunities for joint working has been held with rural asset colleagues at Peterborough City Council. Discussions to identify opportunities will be ongoing throughout Phase 3.

2.3 Finance and revenue

Based on an assessment by Savills of planning and minerals opportunities, the market value of the CFE as at 11 October 2015 was estimated to be £210,000,000 and the value with vacant possession is estimated to be £280,000,000. Given that this valuation is now over two years old, a request for quotes to value the County Farms Estate has recently been released. The successful bidder/s will be awarded at the end of January 2018 and the final valuations will be submitted at the end of February 2018.

Rural assets are considered relatively low risk income generating schemes by other bodies (eg. The Church of England), however the value of the Council's rural estate in the context of the financial position should rightly prompt detailed consideration of all opportunities that enable the organisation to maximise the value gained from the asset. Particularly in light of the 2018/19 £500k revenue savings target.

The Strategic Review benchmarking exercise carried out by Savills suggests that AHA tenancy rental rates are at market level, rents for FBTs are below market levels and that a policy should be adopted to seek the recommendation of an external consultant to proposed rent review settlements to ensure that they are fair and reasonable to landlord and tenant.

In order to further maximise the financial gain to the Council of this significant asset, preliminary work undertaken as part of the OFR suggests that there are opportunities to pursue a more intensive programme of diversification building on the work that has already taken place with tenants to increase their businesses' profitability and revenue returns through a wide range of existing diversified businesses which include livery yards, equine training and breeding, farm shops, children's nurseries, food processing, mechanical and agricultural engineering, educational centres and timber businesses.

3.0 PHASE 3 KEY LINES OF ENQUIRY

3.1 Based on the findings of the review, it is proposed that the next phase of the outcomes focused review explore a number of different opportunities with a view to maximising the current benefits and in doing so, the contribution that rural assets make to the Council's strategic outcomes.

3.2 Strategic outcomes

The varied portfolio of rural assets means that some of the current activities being delivered by farms within the estate support the delivery of the Council's outcomes. However, the evidence suggests that this is mostly by chance, as opposed to strategic design. Exploring the following would provide the opportunity to maximise CFE's contribution to delivering the Council's outcomes:

- a. People live a healthy lifestyle – reviewing the estate to identify opportunities for creating new permissive rights and promoting environmental projects/benefits
- b. Children & young people achieve their potential in settings and schools – optimising the educational potential of CFE/links with FACE, EDGE and Henry Plumb Foundation
- c. Supporting independence – Apprenticeships/life skills
- d. Utilising land for social and community initiatives/schemes – identifying opportunities which would provide greater social and community value from the CFE.

3.3 Renewable energy market – commercial and environmental

In the past, CFE has been proactive in pursuing opportunities for renewable energy including photo voltaic panels fitted to residential properties, and the development of wind turbines. Income generated by these current arrangements amount to approximately £140k plus royalty payments depending on energy produced. The renewable energy industry is constantly evolving and there may be new opportunities which have the potential to offer greater returns than those currently received from let land. Eg. The CFE is currently working with the Energy Investment Unit to look at the financial viability of large scale battery storage on the estate. It is anticipated that an initial assessment of the first scheme will be completed next month.

3.4 **Tenant innovation and diversification**

Exploring ways in which CFE can help to inspire and promote diversification and innovation among tenants through:

- a. Innovation events/business skills training
- b. Clear guidance on what diversification opportunities would be supported/ CCC to identify diversification/innovation opportunities and advertise these opportunities linked to specific sites
- c. Incentives

Explore options to address some of the real/perceived barriers associated with the following:

- i. Lease length – review of policy
- ii. Farm size – opportunities to enlarge or amalgamate existing land/purchase of additional land

3.5 **Asset Management Model/Delivery Vehicles**

Explore and assess a range of different rural asset delivery vehicles including:

- In-house delivery options and alternative management models and expanding the existing consultancy arrangements
- Alternative delivery vehicles eg. change of ownership to address legal barriers that apply to LA ownership
- Blended approach

In order to be able to assess the relative benefits and disadvantages of each approach, it will be important to establish what the Council currently offers which couldn't be offered by alternative landlord arrangement and what restrictions govern local authorities or smallholdings which would not be in place if an alternative delivery vehicle was established to manage the rural estate.

3.6 **Development**

Identify opportunities for increasing net returns by moving from let land to an alternative asset class. The strategic review conducted by Savills identified a range of opportunities including:

- The review compared the Council's mineral resources plan against the CFE boundaries, and suggested that there are a number of opportunities to construct reservoirs through sand and gravel extraction.
- Change of use from agricultural to commercial eg. industrial buildings/usage
- Exploring all residential planning opportunities
- Asset disposal – selling parts of the estate which have no realistic development potential and do not offer any significant agricultural benefits through scale, or benefits to the wider community.

3.7 **Brexit**

Given the current uncertainty surrounding Brexit, the Council's rural assets provides the opportunity to secure the continuation of local agricultural production.

The Rural Assets Team

