



## Appendix 4 – Adjusted recommendations arising from the County Farms practice and processes audit

No.	County Farms Service Audit Recommendation	Management Responses	Mazars Comments
1	<p>The core recommendation is for a comprehensive review of team policies and procedures, and the introduction of formal written process documentation for all key processes.</p> <p>In particular this should include establishing clear approval requirements for financial decisions. Following discussions with the current Head of Property, it has been proposed that the following approval limits will apply:</p> <ul style="list-style-type: none"> <li>• Rural Assets Manager – approval up to £1,000.</li> <li>• Group Assets Manager – approval up to £2,500.</li> <li>• Head of Property – approval up to £5,000.</li> <li>• Head of Finance – approval over £5,000 up to Committee approval threshold.</li> </ul> <p>It is further recommended that the lead auditor from this work be seconded into the County Farms team for an interim period, to implement these changes. This arrangement will bring the team the benefit of the comprehensive background knowledge and systems understanding developed by the auditor to date.</p>	<p>Not agreed. This recommendation appears to be two separate recommendations.</p> <p>The first proposing a comprehensive review is agreed.</p> <p>The second, the revised approval process is not. This may be counterproductive in introducing inefficiency into decision making processes, as well as unsupported by evidence as to how this would deliver improvement. It is not aligned with existing CCC policies and has been copied from a smaller unitary authority with a significantly smaller estate that is managed through an outsourced property team to a different set of governance processes and reporting channels that do not relate to the processes at Cambridgeshire.</p> <p>With a permanent Head of Property now in post with rural and urban estate management experience there appears to be no evidence of a benefit from involving the Head of Finance, particularly in relation to low value transactions from £5,000. This is duplicated with Recommendation 18.</p> <p>A member of the Audit team has been working with the interim Rural Asset Manager on processes. A new permanent Rural Asset Manager is due to commence with CCC in late November 2020 and will take forward the review of rural asset processes.</p>	<p>The comprehensive review has been agreed and CCC should satisfy themselves that this has either been undertaken, the review has been started or has a planned start date.</p> <p>With regards to the approval process, the Head of Property should work with the permanent Rural Asset Manager to establish approval requirements for financial decisions in a way that is efficient and effective for the County Farms Service. Approval limits should be agreed that are appropriate to the size of the estate held by Cambridgeshire.</p>



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2	<p>Part 1: Given the findings outlined above, and given the fact that the Estate Strategy has not been reviewed since 2012, it is recommended that any further amalgamations of holdings are put on hold until a comprehensive review of the Strategy is complete. This should focus on identifying the most effective means of increasing rents across the estate.</p> <p>The revised Strategy should be subject to formal approval by the Commercial &amp; Investment Committee, as the lead Committee for the County Farms estate.</p> <p>Part 2: Estate Objectives and Strategy should be re-drafted in light of the overriding objective mandated by Members that the priority purpose of the County Farms estate is to maximise returns. Proposed revisions to the Objectives and Strategy should be presented to the Commercial &amp; Investment Committee for their formal approval.</p>	<p>Not agreed. The recommendation is based upon historic information that is not current. The current County Farms Strategy and objectives were approved by Members in February 2020 and has been detailed by the Group Asset Manager.</p> <p>Maximising rents is not a stated objective of the Farms Estate. The underlying approach of the Farms team is to maximise rental income, except where this conflicts with the long term interests of the Estate, is not aligned to good estate management practice or wider Estate objectives. All decisions will be recorded and supported by appropriate governance.</p>	<p>The recommendation in relation to the review of the County Farms Strategy needing a comprehensive review has been addressed as an updated Strategy and objectives have been agreed by Members in February 2020.</p> <p>The Head of Property should ensure that all decisions in relation to the increase of rents/maximising of rents are properly documented and recorded and kept on file should any decisions be challenged in the future. This includes keeping a record of rationale for decision making as well as as fully documented audit trail of the governance behind the decision making.</p>
3	<p>It is recommended that the County Farms team identify a set of KPIs, aligned to team objectives and strategy, which will assist the effective measurement of team performance both within the Strategic Assets management structure and, where appropriate, as part of corporate performance reporting. Examples of possible KPIs could include:</p> <ul style="list-style-type: none"> <li>• % uplift after rent review compared to national and regional averages.</li> <li>• Return on investment from improvement charges and payback rates.</li> <li>• % uplift on re-rental of farms compared to national and regional averages.</li> <li>• Income increases compared to inflation and/or the team's 4% target.</li> <li>• Vacancy rates by number and time elapsed.</li> <li>• Debt levels, including time elapsed.</li> </ul> <p>It must be stressed that these suggestions are far from exhaustive and a comprehensive suite of KPIs should be developed.</p>	<p>Agreed, noting that whilst there is a role for KPI's, KPI's should only be used where there is a clear business benefit. CCC currently has a corporate set of KPI's which the Farms Estate feed into. Relevant, proportionate and appropriate KPI's will be devised for the Estate.</p>	<p>This recommendation has been agreed. The Head of Property should ensure that the relevant, proportionate and appropriate KPIs are devised and that they are communicated clearly to the Farms Estate team.</p>



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4	<p>A data cleanse of the property data should be undertaken, followed by an exercise to compare these property listings to those on the County Farms list, to ensure that all farms are accounted for in terms of lease arrangements. This exercise should also ensure that property names are consistent across different systems, and introduce a standardised code to refer to each holding.</p> <p>County Farms should be included as active users of the new property asset management system currently being procured, unless there is a compelling reason to exclude the farms estate from this system.</p>	<p>Agreed. It is intended that the Farms Estate will be fully incorporated in the review of a replacement property management system for the entire CCC Estate.</p>	<p>This recommendation has been agreed. A timeline on when the new property management system for CCC is expected to be rolled out should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored.</p>
5	<p>Each County Farms property should be assigned a unique property code, and transactions should be assigned to the relevant farm when invoicing is raised on ERP Gold. This system could align with the introduction of standardised coding (see 6.1, above).</p>	<p>Agreed.</p>	<p>This recommendation has been agreed. A target date for completion of this recommendation should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored.</p>
6	<p>The County Farms team should conduct a complete review of all invoicing raised in 2018/19 and 2019/20 to date and check each invoice back to the Rental Agreement spreadsheet. Where discrepancies are identified, these should be investigated and either corrected invoicing should be issued or the Rental Agreement Spreadsheet updated to form an accurate master record. The Rental Agreement Spreadsheet should also be updated with details of all information relevant to the income from each tenancy, including Improvement Charges, payment plans etc. This should then be used as the basis for raising each round of invoicing, rather than the previous payment run.</p> <p>Subsequently, a formal reconciliation process should be introduced to check back invoices raised to the master spreadsheet after each invoicing run.</p>	<p>Agreed. This appears to be 2 separate recommendations. The review of historic invoicing is agreed and will be undertaken, with the appropriate records updated and the results of the review reported to the County Farms Working Group.</p> <p>The separate issue of future invoicing requires review, pending the adoption of a new property database system and potentially incorporating invoicing and financial management systems. The proposal regarding the Rental Agreement Spreadsheet may be labour intensive and not supported by current staff resourcing. The process requires review and an effective process devised that ensures accurate invoicing.</p>	<p>This recommendation has been agreed. The future invoicing process needs to be reviewed and updated once more information is known about the new property database system. A timeline on when this expected to be completed should be communicated to the Audit Committee or other relevant Board/Working Group to ensure that progress can be monitored.</p>



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7	The County Farms team should consider setting up “subscriptions” for each tenants, which would enable invoices to be raised automatically in ERP Gold. Once subscriptions are set up, this should free up more time for the team to implement the new monitoring and reconciliation processes recommended above.	It is agreed that a suitable process that is robust and effective is required. This may not necessarily be via ERP.	The Head of Property should provide an update on what has been done to date to review the current invoicing system and whether or not ERP is suitable, and if not, what a suitable alternative is to ensure this is being addressed. A target date for completion of this should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored.
8	In line with the process envisaged in existing Tenancy Agreements, the County Farms team must start to charge interest on all debts, in line with the rate specified in the relevant tenancy agreement.	<p>Not agreed. Whilst interest should be charged in a pro-active manner it is not considered commercial or good practice to charge interest unilaterally on farm or indeed commercial or residential rents and may not be appropriate for the council when considering its full range of duties and responsibilities, and the multi-faceted role of the Farms Estate in supporting the county and in particular its rural areas.</p> <p>The proposed approach is simplistic and does not reflect seasonal cashflow and other challenges facing farm tenants. A responsible agricultural landlord may wish to adopt a considered approach to debt management aligned to estate objectives. The Council has wider duties to its residents and business including social value. A unilateral approach may not be aligned to these and may not offer best value if it leads to financial failure of tenants. The approach to interest as a charge or debt should be included as part of the debt management approach under Recommendation 9.</p>	This recommendation has not been agreed but a resolution has been suggested in Recommendation 9 that will assist in dealing with the issue relating to debt management.
9	<p>A formal policy on debt management must be developed and implemented by the County Farms team. In particular it is recommended that this should include referral of debts to the County's Debt Team. Not only would this improve transparency in debt management and monitoring, but it would also be likely to improve relationships between tenants and County Farms officers by clarifying the separation of processes between tenants management and debt collection.</p> <p>The County Farms team should review their records management and record retention processes and ensure that records are retained and accessible in line with Council requirements.</p>	Agreed. Given the complexities and sensitivities of farm debt, referral to the Council Debt team will be via an agreed process where the Farms team are unable to satisfactorily resolve matters locally. A process will be agreed between these teams to ensure that any legal, financial and reputational risk is minimised. All debt management decisions will be suitably recorded.	This recommendation has been agreed. A target date for completion of this recommendation should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored. The Head of Property should ensure that any new agreements/processes/policies/procedures are fully documented and communicated to all relevant staff.



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10	<p>Part 1: A policy on tenancy advertisement should be formalised and documented. Where holdings are small or in valuable business locations, the County Farms team should consider advertising in non-agricultural arenas, to attract a wider range of potential tenants and businesses. Where diversification is encouraged, this should be explicitly stated in the advertisement and associated documents.</p> <p>Part 2: All farms tenancies which are available for re-letting should be advertised on the open market as standard, to ensure that the Council can demonstrate that best value is achieved for its land, and that fair and transparent tenancy award processes are in place. Where land is likely to primarily be of interest to existing tenants, they should be able to apply through this process and it may be appropriate to introduce a cut-down application form for existing tenants.</p> <p>If there is a clear and valid reason that a tenancy is not suitable for advertisement on the open market then a formal process of approval should be introduced with documented sign-off of this decision required from the Head of Property and approval from the County Farms Working Group and/or Commercial &amp; Investment Committee as appropriate.</p>	<p>The proposed approach to tenancy advertising should be endorsed by the County Farms Working Group, who determine the strategy and policies for the rural estate. The Working Group will agree the strategic direction for the approach and the policy will then be written and formalised, with sign-off from the Working Group.</p> <p>This will include a formal route for approval of any exceptions to the agreed approach from the Head of Property and the County Farms Working Group.</p>	<p>This recommendation has been agreed. A target date for completion of this recommendation should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored. The proposed approach to tenancy advertising should be put in a formal report to the County Farms Working Group for their consideration. If agreed the new policy should be fully documented and communicated to all relevant staff.</p>
11	<p>The application form for tenancies should be amended to include any associations, links to the Council, or close personal relationships with officers or Members of Cambridgeshire County Council to be disclosed.</p>	<p>Agreed.</p>	<p>This recommendation has been agreed. A target date for completion of this recommendation should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored. Once the application form has been amended, the updated version should be communicated to all relevant staff.</p>
12	<p>In order to encourage a more diverse range of businesses, it is recommended for the County Farms team to provide two versions of the application forms and budget forecast forms etc.; one for agricultural use and one for other business proposals.</p>	<p>Agreed.</p>	<p>This recommendation has been agreed. A target date for completion of this recommendation should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored. Once the application form has been amended, the updated version should be communicated to all relevant staff.</p>



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13	<p>Part 1: The evaluation criteria should be reviewed and aligned with the criteria which are made public to applicants on the Council's website, to consistently and transparently reflect the ways in which applicants will actually be evaluated. The revised criteria must have due regard to discrimination issues and specifically must not include exclusions prohibited under discrimination legislation</p> <p>"Lifestyle" applicants should not be dismissed if they are offering a good rent for the farm, and should be progressed through the interview and evaluation process.</p> <p>The requirement that houses are not sub-let should be publicised in advertisements, to avoid time being wasted evaluating tenants whose business plans are not suitable.</p> <p>Part 2: Given the County's budget situation, it would be expected that greater emphasis should be placed on the need to obtain the best possible return from County Farms, provided the return is sustainable.</p> <p>It is recommended that the current evaluation process is amended with the greatest weighting placed on the financial criterion. If candidates meet basic expectations in terms of presenting a robust Business Plan, having sufficient experience, financial backing and appropriate plans for environmental management of the property, the tenancy should then be awarded to the candidate who is able to offer the highest level of rent.</p> <p>The recommended approach is to establish a standard baseline score which candidates must meet across non-financial criteria, and then award tenancies to the highest bidding candidate who has met the baseline score</p> <p>Cont'd over page</p>	<p>Agreed in part - this appears to be several separate recommendations.</p> <p>The evaluation criteria and process will be reviewed to ensure that a consistent approach to decision-making and evaluation of Business Cases in place. Evaluation and selection criteria have been reviewed and will be assessed for Equality compliance.</p> <p>The council has a growing range of non-financial policies that it wishes to incorporate into commercial and other decisions, such as social value and climate change. These may influence evaluation and selection processes. A clear route for formal approval of any exceptions to the normal approach, by the Head of Property and the County Farms Working Group, will be introduced. This will also introduce a process of review of the successful applications by the County Farms Working Group or Commercial &amp; Investment Committee (or such other process as approved) to ensure greater oversight.</p> <p>Evaluation and selection criteria have been reviewed and will be assessed for Equality compliance.</p> <p>The council will review and formalise their approach to 'lifestyle tenants', noting that whilst they may offer a superior rental return, they may provide lesser contributions to the local economy and community compared to an agricultural or rural based business. This reflects the council's objective to "optimise" returns and not "maximise" rents. It may be counter-productive to wider council objectives if employment and other local functions or opportunities are reduced, or other Farms Estate objectives or benefits are adversely impacted.</p> <p>The length of tenancies and extensions will be reviewed.</p>	<p>This recommendation has been agreed in part. A target date for completion of the review of the evaluation criteria, decision making and the approval of exceptions and the length of tenancies and extensions should be communicated to the Audit Committee or other relevant Board/Working Groups upon receipt of these recommendations so that progress can be monitored. The updated evaluation criteria and the process for the approval of exceptions should be clearly documented and communicated to all of the relevant staff upon implementation to ensure the most up to date version of the process is being followed. The updated evaluation criteria must also be communicated clearly for future applicants to be aware of them prior to applying for a tenancy.</p>



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13	<p>Part 3: Where tenancy applications are contingent on e.g. extensions or other inward investment into a holding, the estimated costs and impacts of this must be taken into account in the evaluation of the tenancy, offset against the applicant's proposed rent amount. A formal approval-in-principle for the additional investment should be sought at this stage, as this is effectively when the Council is committing to incur these costs.</p> <p>The tenancy length awarded should also reflect such requirements; realistically if a tenancy is required to be longer than 5 years to pay back the level of investment required, this should be recognised and evaluated at the outset.</p>	<p>Agreed in part - this appears to be several separate recommendations.</p> <p>The evaluation criteria and process will be reviewed to ensure that a consistent approach to decision-making and evaluation of Business Cases in place. Evaluation and selection criteria have been reviewed and will be assessed for Equality compliance.</p> <p>The council has a growing range of non-financial policies that it wishes to incorporate into commercial and other decisions, such as social value and climate change. These may influence evaluation and selection processes. A clear route for formal approval of any exceptions to the normal approach, by the Head of Property and the County Farms Working Group, will be introduced. This will also introduce a process of review of the successful applications by the County Farms Working Group or Commercial &amp; Investment Committee (or such other process as approved) to ensure greater oversight.</p> <p>Evaluation and selection criteria have been reviewed and will be assessed for Equality compliance.</p> <p>The council will review and formalise their approach to 'lifestyle tenants', noting that whilst they may offer a superior rental return, they may provide lesser contributions to the local economy and community compared to an agricultural or rural based business. This reflects the council's objective to "optimise" returns and not "maximise" rents. It may be counter-productive to wider council objectives if employment and other local functions or opportunities are reduced, or other Farms Estate objectives or benefits are adversely impacted.</p> <p>The length of tenancies and extensions will be reviewed.</p>	<p>This recommendation has been agreed in part. A target date for completion of the review of the evaluation criteria, decision making and the approval of exceptions and the length of tenancies and extensions should be communicated to the Audit Committee or other relevant Board/Working Groups upon receipt of these recommendations so that progress can be monitored. The updated evaluation criteria and the process for the approval of exceptions should be clearly documented and communicated to all of the relevant staff upon implementation to ensure the most up to date version of the process is being followed. The updated evaluation criteria must also be communicated clearly for future applicants to be aware of them prior to applying for a tenancy.</p>



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14	While rental levels should be realistic and achievable based on the planned use of the farm, it is recommended that the service would drive much greater value from its estate if a competitive bidding process were introduced to allow tenants who make it to the interview stage to formally review and re-bid on their rental offers. The team should also establish a target rent value for each property at re-rental.	Agreed.	This recommendation has been agreed. A target date for completion of this recommendation should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored. Once the process for the bidding process has been updated, this should be communicated clearly for future applicants to be aware of the new process.
15	A formal process should be introduced for succession tenancy applications, including the retention of relevant documentation in line with the Council's standard retention policy, and the formal scoring of applicants. Audit has earlier (Section 7.4) recommended the establishment of a baseline score for non-financial criteria for tenants applications, and this could also be applied as a "minimum cut-off" score below which prospective succession tenants will not be considered.  The process should also specify that succession tenancies will not be let below market rate.	Agreed.	This recommendation has been agreed. A target date for completion of this recommendation should be communicated to the Audit Committee or other relevant Board/Working Group upon receipt of these recommendations so that progress can be monitored. Once the process for succession tenancy applications has been reviewed and agreed it should be clearly documented and communicated clearly to all relevant applicants.
16	In order to drive best value from the estate, the County Farms team should cease the practice of offering succession tenancies where there is no legal requirement to do so (i.e. for anything other than AHA tenancies). When a farm comes up for renewal, it should be advertised on the open market as standard, with any interested successors free to apply and their applications judged against other candidates according to the standard County Farms process.	Not agreed. The council has an existing succession policy. This will be reviewed, however a blanket exclusion has not been evidenced as 'best value' given potential benefits and asset management opportunities carefully managed and appropriate succession tenancies can provide for good estate management. A process for managing and evaluation succession tenancy proposals will be agreed with members.	The Head of Property has agreed to implement a process for the management and evaluation of succession tenancy proposals and should provide the Audit Committee or other relevant Board/Working Group with a target completion date to ensure that progress on this can be monitored. Once the new process has been formally approved by Members this should be communicated to all relevant staff.
17	The County Farms team should take legal advice on the interest rates currently used in their tenancy agreements, and consider lowering the Default Interest Rate in any new tenancies granted, to reflect present low interest rates and ensure that such rates are enforceable by the Council.	Agreed.	Once legal advice has been obtained by the Council on the interest rates used in their tenancy agreements this should be reported on and any changes should be communicated clearly with existing tenants (if it impacts on their tenancy agreements) and other relevant staff within the Council. A target date for completion of this recommendation should be communicated to the Audit Committee or relevant Board/Working Group to ensure progress can be monitored.



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18	Following discussions with the current Head of Property regarding the immediate improvements which can be made within the County Farms team, it has been agreed that an equivalent to the Delegated Authority form used at Peterborough will be introduced to document approval of new leases. It is understood that this will require authorisation from the Head of Finance (for leases over £5,000) and the Monitoring Officer will also be asked for approval in any particularly complex or significant matters.	<p>Not agreed. See commentary in Recommendation 1. The authority levels and process at Peterborough reflect the fact the unique and very different situation in respect of property management at Peterborough. Peterborough property staff are not direct council employees. There does not appear to be a clear need for or benefit from Cambridgeshire Farms matters being referred to the CCC Head of Finance as there are sufficient permanently employed officers with adequate council approval levels under the council's existing Scheme of Authorisation, including the recently appointed Head of Property.</p> <p>It is agreed a form recording decisions is required, and that there should be referrals to the Monitoring Officer in accordance with the Council's constitution and policies.</p>	<p>The comments from the Head of Property seems reasonable as to why this recommendation is not agreed as there are currently officers in the County Farms team who have sufficient levels of authorisation as per the Scheme of Authorisation.</p> <p>The form for recording decision making should be developed and a target date for completion of this part of the recommendation should be communicated clearly with the Audit Committee or other relevant Board/Working Group to ensure progress and implementation is monitored.</p>
19	<p>It is recommended that formal guidance to officers within the County Farms team about the rent review process is produced, in line with RICS guidance. The process should be refreshed to consider the inclusion of, for example:</p> <ul style="list-style-type: none"> <li>• Index linked rent reviews, for instance:</li> <li>• Linking rent-reviews for Farm Business Tenancies to the percentage increase/decrease in rents nationally and/or within the East of England, as per the annual published Farm Rents dataset produced by DEFRA.</li> <li>• Linking rent reviews for commercial business tenancies to the Commercial Rent Index.</li> <li>• Linking rent reviews to the Retail Price Index to account for the general rate of inflation.</li> <li>• Documenting the Council's target rent at the start of negotiations so that this may be compared with the final rent agreed.</li> <li>• Each rent review should be documented and the variation signed off by two managers in line with the new Delegated Authority form to be introduced.</li> <li>• Formally identifying where proposed rents fall below the level that would be expected according to these independent comparators, and requiring a higher level of sign-off for any rents agreed below these levels.</li> </ul>	<p>Agreed, noting that rent review processes will reflect appropriate RICS, CAAV and other relevant practice to ensure that tenancies offer commercially acceptable and attractive terms to tenants to achieve best outcomes.</p> <p>The use of indices raises questions about 'best value'. Between 2007 and 2017 for example agricultural rents rose on average by 4.5% per annum (Savills Benchmarking data 2018) but CPI was 2.8% pa (Bank of England Inflation Calculator). Any usage of indices would need to demonstrate the linkage between the index and market rents to ensure it did not prejudice either landlord or tenant relative to market conditions.</p>	<p>The Head of Property has agreed to implement formal guidance to the County Farms team on the rent review process ensuring this is appropriately in line with RICS and CAAV guidance. Once this guidance has been created it should be formally documented so officers can refer to it at a later date as well as being communicated clearly.</p> <p>A target date for completion should be communicated to the Audit Committee or other relevant Board/Working Groups to ensure that progress can be monitored.</p>



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20	<p>A formal policy is required to set out the circumstances under which a rent abatement will be considered, and how such abatements will be calculated and approved. Proposed rent abatements (or other rent variations) should require the same level of authorisation as rent reviews i.e. documented justification for the decision and formal sign-off by two managers using the new Delegated Authority form to be introduced.</p>	<p>Agreed. This policy should be validated by the County Farms Working Group.</p>	<p>This recommendation has been agreed. A target date for completion should be communicated to the Audit Committee or other relevant Board/Working Groups to ensure that progress can be monitored. Once the policy has been validated by the County Farms Working Group it should be clearly communicated to all relevant staff to ensure compliance with the policy.</p>
21	<p>Part 1: The County Farms Capital Investment Procedure should be updated to require evaluation of the cost of the scheme against the expected rental price increase on the open market, to verify whether the additional income generated from the 7% Improvement Charge agreed by the sitting tenants would also be sustainable on the open market.</p> <p>The procedure should specify that the Council's cost of capital must be taken into account when assessing payback periods for investments.</p> <p>The procedure should specify that a Net Present Value calculation should be undertaken to verify that the investment has a positive rate of return (it is recommended that this should be done with reference to the Social Time Preference Rate recommended in the Green Book produced by HM Treasury).</p> <p>Part 2: The Council should be assured that the improvement(s) funded by the investment will lead to an uplift in rental value for the property on the open market, which is equivalent to or greater than the monthly cost of the Improvement Charge, and this should be formally recorded for each investment; or The standard five-year tenancy term for the tenants needs to be extended, to provide security that investments are paid back in full.</p>	<p>Agreed subject to establishing a revised Improvement Charge process that is cost effective in relation to investment values. This will focus on ensuring appropriate payback of the investment over the life of the agreement and any subsequent rental uplift or benefit beyond the term of agreement.</p> <p>For low value investments, the 7% annual Improvement Charge approach will be reviewed with consideration given to the value of the investment is divided across the remaining years on the lease to ensure payback by the end of the lease term. This proposed approach is supported by Internal Audit.</p>	<p>The Head of Property should ensure that a revised Improvement Charge process is developed that is then put into writing and communicated to all relevant staff.</p> <p>There should be an agreed value to determine what is specified as a "low value investment" to ensure that there isn't any confusion on the process for adopting the Improvement Charge.</p> <p>A target completion date should be communicated to the Audit Committee or other relevant Board/Working Group to ensure that progress can be monitored.</p>



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22	<p>Part 1: The Capital Investment Procedure should be updated to specify that Improvement Charges should be uplifted at rent review in line with actual inflation.</p> <p>Part 2: The County Farms Capital Investment Procedure should be amended to state that Business Cases should be produced at an earlier stage in the process, once an estimated cost for the project has been produced. If the final tender generates a significantly higher cost (for instance this could be determined as greater than 5% variance to the original proposal), this would then require re-approval.</p>	<p>Not agreed. The Capital Investment Procedure and Improvement Charge process will be reviewed as per comments on Recommendation 21. The use of indices will need to be considered in the legal and commercial context of this and the issues raised in the comments on Recommendation 19. Rent reviews are separate from Improvement Charges and processes will need to reflect this.</p>	<p>As per Recommendation 20, the Improvement Charge process will need to be revised and reviewed and any amendments or changes will need to be put in writing and communicated effectively.</p> <p>The Head of Property should consider the recommendation regarding the cost of the Capital Investment Procedure and if the final costs exceed the estimated costs in the Business Case. Decision making and approval should be properly documented to detail why costs have exceeded the estimates in the business case and should be kept on file.</p> <p>A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.</p>
23	<p>The practice of allowing tenants to retrospectively ask the Council to fund works they have carried out and treat this as an Improvement Charge is not appropriate and should be immediately discontinued.</p>	<p>Agreed and complete.</p>	<p>This recommendation has been agreed and has said to have been completed. Evidence should be provided to the Audit Committee or other relevant Board/Working Group to show that the practice of allowing tenants to retrospectively ask the Council to fund works they have carried out themselves has been discontinued.</p>
24	<p>The County Farms team should take legal advice regarding the best way to secure repayment of Improvement Charges. Colleagues in LGSS Law have provided some initial advice that this may be best achieved through introducing Funding Agreements in place of Improvement Charge Letters. If a Funding Agreement were in place regarding an Improvement Charge, then in the event that a tenants sought to leave their tenancy earlier than expected (and if payback is not likely to be achieved through an uplift in rent on the open market as a result of the investment) the remaining debt would be enforceable through the courts.</p>	<p>Agreed. Comprehensive legal advice is required from specialist agricultural lawyers and appropriate stakeholder bodies. There are commercial and legal considerations in seeking a current tenant to fund long term improvements that will benefit the landlord and/or future tenants.</p>	<p>The Head of Property should ensure that the comprehensive legal advice on this matter is sought and documented and then appropriate procedures are put in place to address the risk of recovering debts on Improvement Charges should a tenant choose to leave their tenancy earlier than expected.</p> <p>A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.</p>



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25	Improvement charges should be recorded on the Rental Agreement Spreadsheet. The County Farms team should maintain a record of investments and improvement charges agreed on each property over time. The team should monitor the payback of investments in individual farms (including Improvement Charges levied on incumbent tenants and considering subsequent uplifts).	Agreed. The team will also explore the possibility of charging for Improvement Charges on a quarterly basis.	This recommendation has been agreed. A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.
26	The team should apply, and maintain records of, Improvement Charges separate to rent, and reflect such charges separately on rent review spreadsheets to ensure that they cannot be forgotten in subsequent rent reviews.	Agreed.	This recommendation has been agreed. A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.
27	A clear housing standard should be established, as this is a key control over refurbishment processes. A set standard ensures equity between tenants; clarity for officers on what may and may not be funded; and compliance with the government's Decent Homes Standard. Moreover it ensures that long-term sitting tenants are formally offered updates to their housing as appropriate. There should also be a formal, documented approval process for the specification of any such refurbishment and how the costs will be divided between County Farms and the tenants.	Agreed. An appropriate standard for houses as will be defined and agreed with the County Farms Working Group as guidance for improvement decisions.	This recommendation has been agreed. When an appropriate standard for houses is defined and agreed this should be communicated to all relevant staff to ensure compliance with the guidance.  A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.
28	There must be a clear division of duties with regards to tender review. The architect may advise whether any bids should not be accepted due to not meeting the technical requirements, but County Officers must make the decision on award of any procurement in line with agreed delegations.	Agreed.	This recommendation has been agreed. A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.
29	Final proposed specifications should be assessed against the County Farms Standard and any variations from the Standard should have initial approval recorded by a manager, along with identification of whether the variation will be funded by the Council (and if so, why), by the tenants, or split between both parties. This document, with details of the proposed Improvement Charge, should then be approved in line with agreed delegated authorities.	Agreed.	This recommendation has been agreed. A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.



## Appendix 4 – Adjusted recommendations arising from the County Farms practice and processes audit

No.	County Farms Service Audit Recommendation	Management Responses	Mazars Comments
30	<p>If the OFR report is not retracted, the detail of the financial proposals made in the report should be scrutinised by a qualified member of the Finance team (the Strategy and Objectives of the Farms team, also covered by the OFR, will be subject to review regardless, as an outcome of this audit).</p> <p>If it is considered that the modelling is robust, a project should be initiated to develop and implement the proposals, including a clear timeline and plan for actions to be brought forward, and formal reporting on achievement against the 4% income target. If the Finance team consider that the modelling requires further work, the content of the OFR should be revisited and revised prior to development of a formal project.</p> <p>Financial forecasts to Committee should be scrutinised and subject to challenge by a qualified member of the Finance team, prior to publication.</p>	<p>The status of the Outcome Focused Review requires clarification, noting that updated Farms Estate strategy and objectives were agreed by Committee in February 2020.</p>	<p>The Head of Property should seek clarification on the status of the Outcome Focused Review to see if issues highlighted have been addressed as part of the Farms Estate strategy and objectives update in February 2020.</p> <p>A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.</p>
31	<p>Future Outcome-Focused Reviews (OFRs) or equivalent service review processes should incorporate review of key processes relating to income generation and/or expenditure minimisation (depending on service type) to identify areas where current systems could be improved to maximise value-for-money achieved, and to ensure that final recommendations made are fully supported by evidence.</p>	<p>Not agreed. Regular reviews, formal and informal are undertaken in respect of the Farms Estate by officers and members. Whilst ensuring value for money is a key element of the role of the Farms Estate, it is increasingly recognised that it delivers far greater financial and non-financial benefits to the Council and county than immediate rental returns.</p> <p>Future reviews must take a fully informed and holistic approach to the significant and diverse contribution that the Farms Estates makes to the council as a whole. This includes benefits ranging from areas such as climate change, economic development and facilitating educational expansion.</p>	<p>The Head of Property should ensure that when the regular reviews are undertaken in respect of the Farms Estate by officers and members that these are clearly documented and recorded and kept on file.</p> <p>A target date of completion should be communicated to the Audit Committee or other relevant Board/Working Group to ensure progress can be monitored.</p>