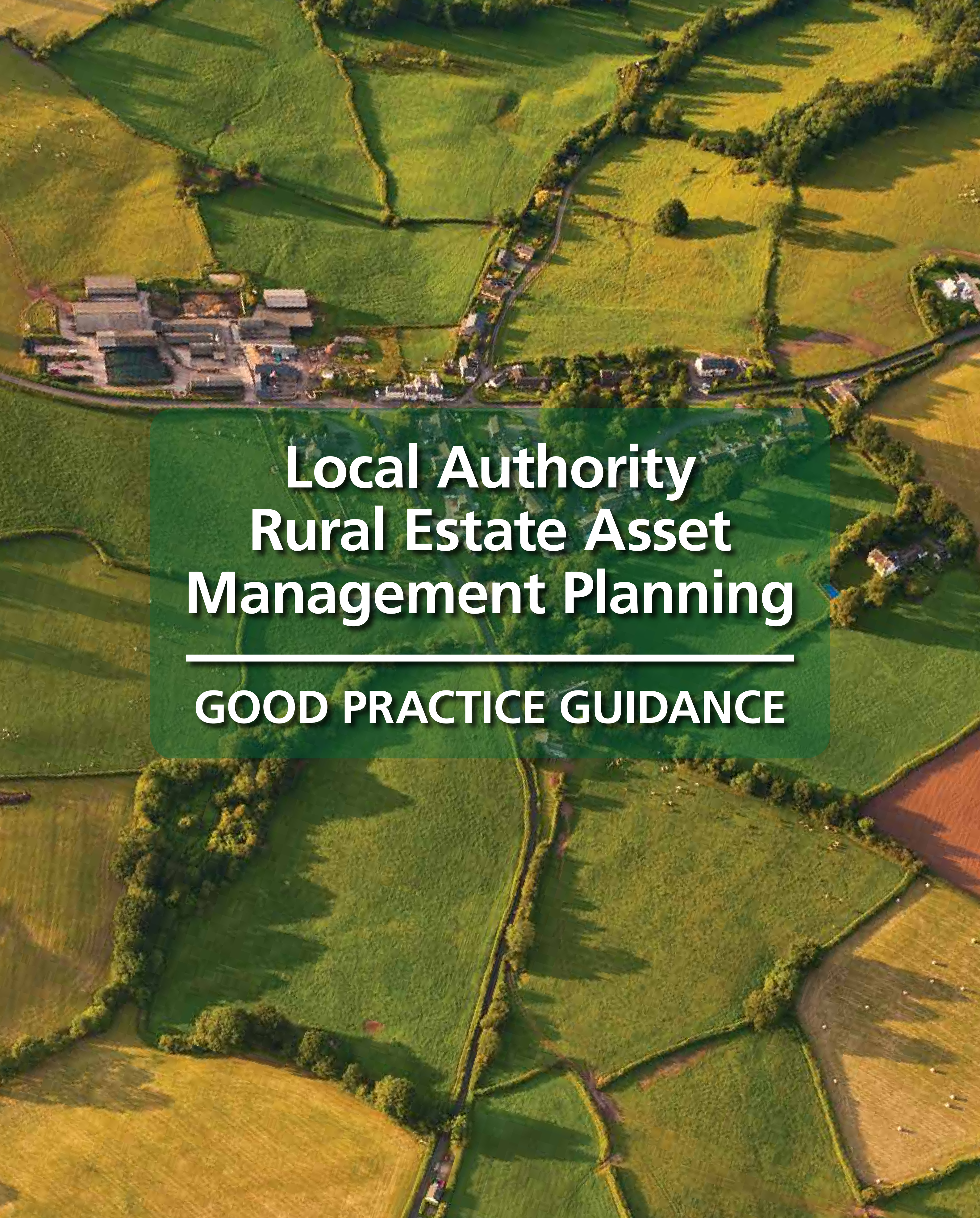

Local Authority Rural Estate Asset Management Planning

GOOD PRACTICE GUIDANCE

ACES
PROPERTY PROFESSIONALS
IN THE PUBLIC SECTOR

SUPPORTED BY
TRIG

ACES
PROPERTY PROFESSIONALS
IN THE PUBLIC SECTOR

"The Association of Chief Estates Surveyors and Property Managers in the Public Sector" supported by the Tenancy Reform Industry Group (TRIG)

The Tenancy Reform Industry Group (TRIG) is an informal advisory body with an interest in all issues relating to agricultural tenancies in England and Wales. It meets on an ad hoc basis when Government calls on it to provide advice, information and evidence

The Group aims to:

- provide independent expert advice as appropriate and when required by the Department for Environment, Food and Rural Affairs (DEFRA); and
- act as a forum to discuss current agriculture tenancy and associated issues, engaging and seeking advice from other experts within the industry where appropriate.

Members of this informal advisory body will represent and be nominated by key organisations from across the agriculture industry that have an interest in and/or represent those in the tenanted sector. This includes representatives for tenanted farmers, landlords, agricultural valuers, surveyors, lawyers and local authorities. As a devolved policy, membership also includes representatives from Wales to ensure coherence of policy and law. The range of organisations includes:

Independent Chair, National Farmers Union, Tenant Farmers Association, Country Land and Business Association, Royal Institution of Chartered Surveyors, Agricultural Law Association, National Federation of Young Farmers Clubs, Farmers' Union of Wales, Central Agricultural Association of Valuers, Association of Chief Estates Surveyors, Local Government Association

Membership is reviewed by Defra every 3 years to ensure the full breadth of expertise is available.

ACKNOWLEDGEMENT
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Past Chairman Treasurer and Secretary of the ACES Rural Practice Branch

Foreword

I was privileged to Chair the Future of Farming Review Group which reported to DEFRA Ministers in July 2013. Amongst the vast number of issues considered by the diverse and independent group members, was a specific concern about the loss of county council farms which have provided many new entrants with a route into the agricultural industry in past years. The Review Group recommended that the Government and industry should work together to produce guidance to local authorities which highlights the value of these farms, encourages retention and more innovative management.

I am delighted, therefore that the Rural Practice Branch of the Association of Chief Estates Surveyors and Property Managers in the Public Sector (ACES) has worked with the Tenancy Reform Industry Group and responded to this challenge by producing this guidance which I commend to all local authorities with farms in their property portfolios and to all who have an interest in local authority owned smallholding estates as a means to support individuals looking to enter the industry as farmers in their own account. The Guidance sets out a holistic asset management approach which has worked well for a large number of private agricultural estates and should provide a profitable basis of operation for local authorities.

Clearly local authority budgets are under considerable strain but this guidance sets out to provide a framework for local authorities to follow which will ensure maximum economic, environmental and social benefits for the local authorities and their Council Tax payers whilst at the same time maintaining a crucial entry route for a new farmers.

This guidance is essential reading for all local authority staff and members with responsibility for, or interest in, the County farms estate.

David Fursdon
Chair, Future of Farming Group

Executive Summary

Legislation created over a century ago (1908) initiated the purpose for Council's to provide land for use by new entrants into food production and agriculture.

Since this time, Local authorities have rationalised their estates resulting in a mix of outcomes. Some estates have been maintained at roughly the same size for a number of decades but with fewer yet larger holdings, whilst some have disposed of their estates in their entirety. Others have opted for retention in size but with a reduced emphasis on the use of the estate to provide opportunities to farm.

The result is that the size of the English Smallholdings estate continues to reduce. Since 1966, the estate has reduced by 59,706ha and by 10,434 holdings. However, the average size per holding has more than tripled over the same period.

The approach taken by Local Authorities for reviewing their estates as been varied which has had an impact on those that benefit from it. The Future of Farming Review report (2013) has identified the requirement for an industry accepted Guidance Note to assist local authority elected Councillors and Property Officers on a methodology for undertaking strategic reviews of their Rural Estates.

This guidance is therefore provided to assist and signpost property managers and elected Councillors with responsibility for Rural Estates to help understand and capture what benefits their Estates provide, to engage and consult with stakeholders and to assist with striking a fair balance between meeting the needs of the authority they represent or work for (good estate management); the socio, economic and environmental needs of the communities that are their neighbour's, and of the general interests of agriculture and its allied industries.

This Guidance and its principles have been drawn from past and present members of the Association of Chief Estates Surveyors' Rural Practice Branch and is intended to give a flavour of some of the key stages that could be followed. It also explores each stage and provides guidance on what matters could be taken into consideration to complete each one.

The Key stages are:-

1 – **Baseline Data & Intelligence Gathering** – "The Past"

2 – **Stakeholder Engagement** – "What do others think of the 'The Past' and what would they like to see in the future?"

3 – **Alternative Use Potential** – "What else could it be used for?"

4 – **Options Appraisal** – "What could it look like?"

5 – **Stakeholder Consultation (options and policies and buy in)** – "What should it look like?"

6 – **Consolidation, Asset Management Plan Preparation and Adoption** – "The Future"

7 – **Monitor and Review** – "Celebrate the benefits of active Asset Management"

Context

1. For over a century, the role of Local Authority owned Rural Estates (also known as County Council Smallholdings Estates or more usually as County Farms Estates) have been to provide opportunities for individuals without family owned land or sufficient capital to buy farms to become new entrants into the agricultural industry.

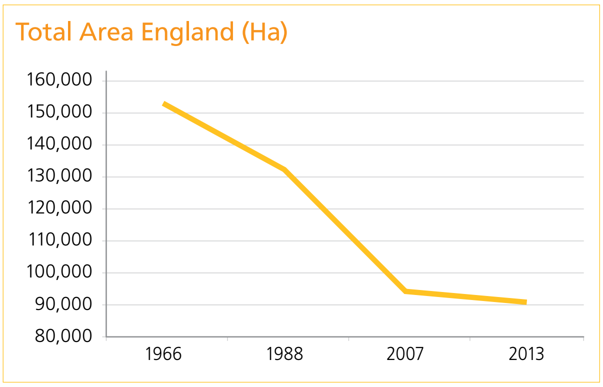
2. As agriculture has become more mechanised and technological, there has been a continued need to spread fixed costs and the average size of farms has continued to increase. Local Authorities have followed this trend in the management of their Rural Estates.

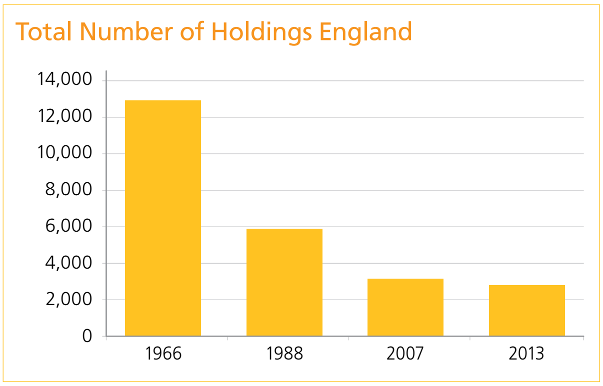
3. Across England the estate extended to 153,296 ha in 1966 providing 12,882 holdings at an average size of 11.9ha (29 acres). By 1988, the estate had reduced to 132,652 ha with 5,922 holdings with an average size 22.4ha (55 acres). This equates to a 13.5% & 54% loss in area & holdings or a 188% increase in average size since 1966 (DEFRA reports to Parliament).

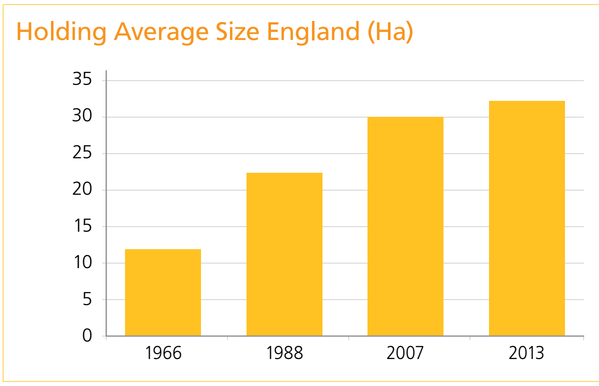
4. This trend has since continued as shown in the graphs opposite although the pace may be slowing.

5. Sir Don Curry (2008) and The Future of Farming Review (2013) both highlighted the importance of retaining Rural Estates. To do so they need to be actively managed within a coherent asset management plan which can identify and target areas for income growth and to ensure that a sustainable level of capital is realised for essential statutory services at the same time.

6. In assessing how local authorities obtain "best value" in the management of their assets, it is also important to draw in to consideration the wider environmental and community benefits of actively managing Rural Estates. Examples include education outside the classroom, recreation and access, flood management, "care" farming, environmental management and renewable energy production.







Context

Background

7. Legislation created over a century ago (late 1900's) sets out the initial purpose for local authority owned Rural Estates in the Smallholdings and Allotment Acts. The current rules for administration of statutory smallholdings are set out within Part III of the Agriculture Act 1970. Section 39 of that Act provides that:

   "Having regard to the general interests of agriculture and of good estate management, [smallholding authorities] shall make it their general aim to provide opportunities for persons to be farmers on their own account by letting holdings to them".

8. Where farms are provided, management policy needs to address the provision of opportunities for new entrants whilst also working to sustain existing tenants in their farming career and to provide scope for advancement to bigger opportunities on privately let estates. Within the industry, it is felt that local authorities provide a unique or niche service to the agricultural industry by taking the risk of appointing young rural entrepreneurs and their businesses to become their tenants in the hope that they will develop to become large businesses and serious contributors to the rural economy. The erosion of this service as highlighted below is a concern raised in the Future of Farming Review report.

National Context

9. Local authorities have rationalised their estates resulting in a mix of outcomes. Some estates have been maintained at the same size with fewer but larger holdings, some have disposed of their estates in their entirety and some have opted for retention in size but with a reduced emphasis on the use of the estate to provide opportunities to farm. This decline has triggered many to express strong views on what policies should be applied to the management of County Farms at both a local and national level. It is recognized that the average age of farmers is high and some are concerned that insufficient opportunities are available for persons to become farmers on their own account which may be damaging the interests of agriculture and that opportunities, where they exist, should be retained as a result. The most notable of these is Sir Don Curry's statement of November 2008.

The purpose of this Note

10. Local authorities offer a wide range of services and with the continued period of financial pressure over the next few years, competition to secure sufficient funding to meet statutory services is high and local authorities will, quite rightly, review its assets to establish strategies to help bridge such gaps.

11. This document should be read in conjunction with the RICS' Best Practice Report on Local Authority Asset Management and read together should help to structure how reviews should be undertaken and covers some of the considerations to be taken into account in doing so.

12. It is therefore provided to assist and signpost property managers and elected Councillors with responsibility for Rural Estates to:
    a. help understand and capture what benefits their Estate provide,
    b. engage and consult with stakeholders; and
    c. assist with striking a fair balance between meeting the needs of the authority they represent or work for (good financial estate management), the socio, economic and environmental needs of their communities and of the general interests of agriculture and its allied industries.

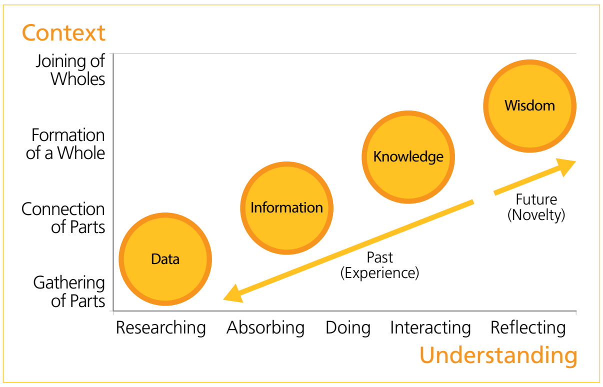
13. This Asset Management Planning process could be broken down into 7 key stages.

Stage 1 – Baseline Data & Intelligence Gathering – "The Past"

14. This part of the review process is to establish the benefits the authority provides through the ownership of its estate. Swathes of information could be provided but the key items could be split into Financial and Non Financial. The ACES RP Branch Council Farms Rationale is provided in Appendix 1, this lists some examples of the non financial benefits (environmental and community based) that could be highlighted.

15. It is recognised that no two properties or Estates will be the same and consequently not all estates can deliver the same benefits but the importance is to highlight what benefits are currently provided. Later Stages of this exercise will help identify what other opportunities could be explored.

The illustration below, which is an adaptation by Russ Ackoff (1989) explains how much better an outcome can be achieved, when more and more data is considered. Data gathering can become an endless process so this stage needs to be tempered with the amount of time and resources available.



Financial Performance

16. Financial performance comparables could be taken from CIPFA & DEFRA Statistics and other estate benchmarking data to demonstrate the performance of the estate against other public and private estates and provide opportunities to explain the reasons why there may be discrepancies from benchmarks.

17. The calculation of the internal rates of return from the estate can provide a useful comparator of its performance against other investments and property portfolios. Capital investment undertaken, receipts received, revenue surplus delivered to support other services (net income) could also be highlighted to enable comparison against previously set targets to assess the performance of the estate over time.

Financial liabilities

18. The main drain of resources on many estates is the repair and maintenance of the building stock on it. Highlighting the maintenance (revenue) backlog from condition surveys will be a useful management tool in understanding future cash flow requirements and the impact on returns.

19. Suitability and sufficiency appraisals of each farm against current and emerging legislative requirements could be undertaken to establish and understand capital requirements too.

20. This information should then be screened against the tenancy agreements in place to establish what legal obligations the authority has over the whole estate to establish its future capital investment requirements to feed into the later stages.

21. This information, together with understanding each Tenant's business aspirations, tenancy term, tenant's ability to make capital investment and likely dates of possession will help to build a holistic understanding of the potential of each farm and its tenant. It may also guide estate managers to identify opportunities to alter the main farming activity at the farm to reduce financial liabilities or to give consideration to altering the tenancy extension and re-letting policy. Collectively these will help inform the Options appraisal stage mentioned later.

Non Financial

22. The non-financial information will be more difficult to collate but is equally valid in assessing the wider benefits to stakeholders and local communities of the Rural Estate.

23. The wider social, economic and environmental benefits the Estate provides should be highlighted in every case. Almost every estate has tenants that have diversified to assist other corporate priorities with service delivery and these could be highlighted and celebrated as case studies (e.g. care farms, waste recycling centres, green waste composting, community farms, allotments, renewable energy generation etc). Many tenants also volunteer their time and services to assist local communities. Some authorities hold a mailing list of persons that have expressed an interest for opportunities/land and this information can be useful to gauge demand.

Stage 1 – Baseline Data & Intelligence Gathering – "The Past"

24. The whole estate can be assessed against the criteria listed in the Rationale for the Service. Each criterion can be listed and against each one an assessment made of the impact current policy makes towards achieving these criteria. Some of this evidence is anecdotal; some of it can be assessed in an empirical way. The potential for new targets to be set, which in turn will be based on a new approach or change of policy, can be included in the options appraisal stage.

25. Fundamental to this element of the Review is the understanding that the Rural Estate is a Service of the local authority to the wider rural electorate, not just an investment tool. It is important that this element of the Review is carried out with the same level of commitment as the financial review.

Existing policies and practices

26. Consolidating all the main policies and practices that have previously been adopted for the estate since its last review is important to understand as it will assist engagement with stakeholders in the later stages of the review. Examples are re-letting policy and criteria, tenancy extension applications policy, what each farm was designated as, repairs and maintenance policy etc.

27. A review of the estates contribution to the Council's Corporate Plan should be undertaken at this stage too. The review should examine how the Rural Estate meets those aims through its existing practices and performance and give insight into where gaps may exist that could be considered in the later stage of option appraisal.

Stage 2 – Stakeholder Engagement – "What do others think of 'The Past' and what would they like to see in the future?"

28. Various management methodologies and tools could be applied to assist with this process (e.g. GAP, SWOT, Cost/Benefit, Needs v Wants analyses) to assist with challenging the past by considering the data and intelligence gathered from Stage 1 for each part of the estate. This should then assist with the identification of Key findings and prioritise the issues to be addressed. Property officers should then tailor the following stages to meet the specific policies their local authorities have on consultation and stakeholder engagement.

Internal Engagement

29. Consultation with other services should be undertaken as part of this review to assist with identifying and safeguarding sites for future operational requirements. Many estates have provided sites for schools, fire stations, affordable homes, care homes, allotments, road improvement schemes, waste transfer or recycling centres to name only a few uses. Highlight and celebrate these added value benefits.

Tenants Engagement

30. Tenants should be encouraged to organise themselves into a body whereby a small group is nominated to make representations on their behalf. Often, hurdles are identified with previous or current policy and potential solutions and options highlighted which the review process can then take into consideration. A questionnaire survey could be deemed an appropriate method of consultation for smaller estates or if anonymous representations are required.

Neighbouring communities

31. Consultation with other tiers of local government e.g. parish councils should be undertaken to establish whether there are any community projects that could be accommodated on or benefit from having access to parts of the Estate in their locality and such opportunities recorded. e.g. Pocket/Country Park, Community Woodland, Community Assisted Agriculture, Community Orchards, Permissive Paths, allotments etc.

Other External Stakeholders

32. Engagement with representatives from local and national organisations with an interest in the sector is often a useful method of intelligence gathering for input into the review and planning process. Also, consider consulting other large landed estates and local authorities with Rural Estates in the region to establish the level of supply of opportunities for tenants to progress from the estate and also identify the level of demand for opportunities in neighbouring authorities and the quality of applicants etc.

Stage 3 – Alternative Use Potential – "What else could it be used for?"

33. The whole Estate should be appraised against the Core Strategy/Local Development Framework/Local Plan to establish which parts are important for future allocations for strategic change of use both within the current Framework period and beyond into the longer term. Other smaller scale change of use development opportunities should also be identified and recorded.

34. Some estates have properties located in areas with mineral reserves and the local Minerals and Waste Planning authority should also be consulted and an appraisal undertaken of the mineral bearing potential of the estate.

35. Estates have varying potential for renewable energy generation and each part should be appraised on its ability to contribute towards this. Local authorities could consider and discuss joint initiatives for renewable energy generation with tenants.

Stage 4 – Options Appraisal – "What else could it look like?"

36. Options should then be developed that could be applied to assist with overcoming the Key Findings/ Issues and each option appraised against their impact on meeting the aims of the corporate plan and highlight both financial (revenue and capital) and non financial factors and their impacts if each option were pursued.

37. It should not of course be forgotten that there could be an impact on the arrangements that are in place for implementing each option in terms of operational management which will need to be highlighted. Many tensions will be identified as part of this process but highlighting them will generate the proper challenge needed for the following stage.

Stage 5 – Stakeholder Consultation (options and policies and buy in) – "What should it look like?"

38. The information gathered as part of the above exercises should be shared (internally) initially with elected members and key officers with a view to identifying preferred options. This should include the identification of the linkages with the Corporate Business Plan and the wider Asset Management Plan and Economic and Enterprise aims.

39. Once this internal "buy in" has been achieved and the reasons fully understood over why particular options are preferred, this information should then be shared with external stakeholders to achieve their "buy in".

40. This process should highlight the options and risks/impacts (both negative and positive) from Stage 4 to formulate an overall strategy. This should help strike a fair balance between the many interests and tensions that will exist as highlighted in the earlier stages of the review. The key point here is to transfer the vision for the whole rather than concentrate on any particular part.

Stage 6 – Consolidation, Asset Management Plan Preparation and Adoption – "The Future"

41. Following consultation, feedback should be considered and the main components of the above stages brought together into a comprehensive report to form the basis of the strategic direction for the estate. A further report on how the direction is to be implemented should be in the form of an Asset Management Plan. Such a plan should be of sufficient detail to identify the changing shape of the estate in the form of plans for each part showing what the strategy and vision would deliver (e.g. Core/Reversionary/Community/Surplus) but not provide so much detail as to be commercially sensitive. Other items that could be included are management policies and practices, programmes of work (repair, maintenance and capital investment), sources of funding, capital and revenue cash flows; re-letting and tenancy extension criteria, other management policies and key targets associated with these to enable performance over time to be assessed.

Communications

42. Once the Plan is adopted by the Local Authority, consideration should be given to preparing a communications plan to share the outcome to the media, partners, internal and external stakeholders.

Stage 7 – Monitor and Review – "Celebrate the benefits of active Asset Management"

43. To ensure that the Plan remains fit for purpose, consideration should be given to monitoring and reviewing the Asset Management Plan on an annual basis to highlight progress and to celebrate its successes. A more fundamental review with the above process being repeated entirely or in part, depending on the circumstances at the time or size of estate should be carried out every 5 – 10 years.

44. Those implementing the plan (Council staff or private sector firms) should also maintain regular contact with the elected councillor/portfiolio holder for the Estate so that successes achieved on the estate can be escalated to other elected councillors, the media, partners and stakeholders.

Conclusion

45. The process of review is an essential part of asset management planning. In reviewing County Farms Estates, it is essential that there is an understanding of the rationale for the existence and the impact it has in both financial and non financial terms. Best Value analysis should underpin everything local authorities do and in respect of County Farms, this will involve ensuring that future potential values from development opportunities are properly assessed against achieving capital receipts from disposals in the short term.
Also, the impact on the environment, local communities as well as on the revenue budget, need to be considered and evidenced.

46. As highlighted at the beginning of this note, this document should be read in conjunction with the RICS' Best Practice Report on Local Authority Asset Management and read together should help to structure how reviews should be undertaken and covers some of the considerations to be taken into account in doing so.

47. It is therefore provided to assist and signpost property managers and elected Councillors with responsibility for Rural Estates to:

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Appendix 1
ACES Rural Practice Branch
The Council Farms Service – Rationale

Local Authorities have over a century of involvement in the agricultural industry through their management of Statutory Smallholdings, now known as Council Farms. The Service has a unique role and is a vital niche player in the tenanted sector. The agricultural industry and the countryside are constantly changing, and the Service continues to adapt to ensure it sustains the many benefits it provides to the wider community.

Against this background, the Rural Practice Branch of ACES has again updated its Rationale. This sets out examples of the many benefits Council Farms Estates can provide through the implementation of Good Estate Management Practice.

It provides: -

- A means of entry into farming and / or diversified rural businesses for those who may not otherwise have the opportunity to farm on their own account;
- The potential for tenants to establish and develop viable business enterprises, enabling internal progression to larger Council Farms and / or advancement from the Estate to bigger holdings on privately or institutionally owned let estates;
- A valuable source of rural employment opportunities on small family farms, often in remote locations;
- A tangible means of meeting the aspirations of the young farming community and the agricultural industry;
- An opportunity to contribute to the wider economic well being and development of the countryside, including products for local markets;
- A "bank" of potentially surplus development land arising from positive property reviews and estate rationalisations, providing a valuable source of capital for essential estate reinvestment, which assists rural economic regeneration and also contributes funding for the provision of other Council services;
- A potential land bank source of exception sites for affordable housing projects in rural areas;
- A valued Council Service managed on a dynamic, sound, commercial, business-like basis having regard to the principles of asset management planning and effective performance management;
- A direct stake in the countryside for Councils enhancing the links between the local farming industry, the rural economy and the wider community through school visits in relation to lifelong learning, open days and guided walks;
- An opportunity to implement best practice in rural estate and sustainable countryside management and stewardship: e.g. Environmental Stewardship Schemes, Health & Safety, and community participation;
- A wealth of traditional landscape features such as stonewalls, ditches, hedgerows and farm buildings which are more likely to be retained on small family farms;
- The opportunity, in partnership with tenants, for the implementation of positive strategies that address the challenges of climate change (e.g. wind farms and other renewable energy sources), together with sustainable farm management and good husbandry practices.
- Encourage and develop community involvement with the rural estate to strengthen the connection between food and farming.