

Business and Property Committee

Item No.....

Report title:	County Farms Estate Objectives and Policies, Key Processes and Criteria
Date of meeting:	18 October 2017
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact The County Farms Estate extends to 16,739 acres, supporting over 145 tenant farmers, and is the third largest local authority farms estate in England & Wales. It contributes to the rural economy by creating businesses and employment.	

Executive summary

As part of ensuring robust governance for the County Farms Estate the periodic review by Members of the objectives and policies is good estate management practice. Furthermore the updating of processes and developing criteria are important tools to efficiently manage the estate.

Recommendation:

Business and Property (B&P) Committee is asked to formally:

- (i) Adopt the County Farms Estate objectives and policies as detailed in appendix 1 of the report.**
- (ii) Adopt the tenant selection process as detailed in appendix 2 of the report.**
- (iii) Adopt the acquisition criteria as detailed in appendix 3 of the report.**

1.0 Introduction

- 1.1 This report follows on from the County Farms Estate update presented to Business and Property Committee on 8 September 2017.
- 1.2 The update asked for Member input in to three key aspects as they relate to the County Farms estate, namely:
 - Objectives & Policies for the estate.
 - Letting procedure.
 - Acquisition criteria.

2.0 Objectives and policies

- 2.1 It is good estate management practice for Members to periodically review and update the objectives and policies for the County Farms Estate.

- 2.2 With the background of Brexit, the proposed updating of the County Council's corporate plan and the ongoing financial pressures facing the Council this is an appropriate time to reaffirm the County Farms Estate objectives and policies. In **appendix 1** are the proposed updated objectives and policies.
- 2.3 Business and Property Committee is asked to formally adopt the County Farms Estate objectives and policies as detailed in **appendix 1**.

3.0 Letting procedure (tenant selection process)

- 3.1 The proposals in this report are aimed at ensuring transparency and consistency in the selection of prospective tenants for the Norfolk County Farms Estate.
- 3.2 The County Farms estate have two main tenancy entry points in to the estate:
- (i) **Entry holding**, these will be for a smaller holding. These provide the first opportunity for starting a new farming business, on a full or part time basis. These tenancies will usually be for a maximum of 10 years (with a break at 5 years operable by either party for appropriate cases).
 - (ii) **Progression holding**, these are for a larger holding for more experienced tenants and are larger in size. These tenancies run for between 10 to 20 years.
- 3.3 All tenancies are let using a Farms Business Tenancy as provided for and in accordance with the Agricultural Tenancies Act 1995 (as amended). Tenancies will usually commence in the autumn.
- 3.4 Tenant selection is through a two stage process. The first stage is the assessment of applications by an officer panel who will recommend a short list of applicants to be taken forward to the interview stage. The full tenant selection process is detailed in **appendix 2**.
- 3.5 Business and Property Committee is asked to formally adopt the tenant selection process as detailed in **appendix 2**.

4.0 Acquisition criteria

- 4.1 The County Council's constitution requires the farms estate to be maintained at 16,000 acres or more in size. As redundant parts of the estate are disposed of there is, therefore, a requirement to acquire additional farm land to maintain the size of the estate. Over the past months the County Farms Team have reviewed a number of purchase opportunities across the county. At present there are no adopted criteria for the team to follow, therefore a set of criteria has been developed, detailed in **appendix 3**.
- 4.2 Given the Authority is potentially seen in the market as being a 'special purchaser' it is good practice to appoint a firm of land agents to represent

Norfolk County Council (NCC) and to provide the necessary advice on price. The assessment of land would follow the Valuation of Rural Property 1st Edition Practice Guidance Notes published by the Royal Institution of Chartered Surveyors.

- 4.3 Business and Property Committee is asked to formally adopt the acquisition criteria as detailed in **appendix 3**.

5.0 Financial implications

- 5.1 The adoption of the proposals in this report will ensure a proper basis for the application of financial resources for use and development of the County Farms Estate.

6.0 Issues, risks and innovation

- 6.1 The adoption of the proposals in this report will ensure issues and risks are managed around the use and development of the County Farms Estate.

7.0 Background

- 7.1 There are several strands forming the strategic background to these proposals:
- Internal Audit Report (BDO), County Farms Governance Arrangements, follow up January 2017.
 - The overall Councils priorities of Excellence in Education, Real Jobs, Good Infrastructure and Supporting Vulnerable People.
 - Norfolk County Council Asset Management Plan 2016-19.
 - The adoption of an updated property savings plan, that calls for £4.2m of savings for the next three years.
 - The medium term financial strategy includes commercialisation of NCC property assets as a priority to help diversify the Council's funding.

If you have any questions about matters contained in this report please get in touch with:

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Appendix 1

Norfolk County Farms Estate Objectives and Policies

(Adopted by Business and Property Committee on: date tbc)

<u>Governance</u>	
Objective G1:	Business & Property Committee shall be responsible for recommending the over-arching policy for County Farms and for the implementation of policy on each estate as set out in the County Council's constitution.
Objective G2:	The Business & Property Committee will work to: <ul style="list-style-type: none">• Improve and maintain relationships between tenants and the County Council.• Ensure greater transparency in decision making.• Advise the County Council on policy matters.• Approve strategic management plans for each estate.• Advise on acquisitions, disposals and the future investment strategy.
<u>Strategy</u>	
Objective S1:	The County Council will maintain the size of the Estate at 16,000 acres or more. Where land or buildings are declared surplus and subsequently sold, the County Council will reinvest a proportion of the capital receipts as detailed in the Council's Financial Regulations in order to support the value of the County Farms Estate, to improve its infrastructure and to help maximise income return.
Objective S2:	The County Farms Estate will prioritise its fundamental aim of supporting new entrants to the agricultural industry and the County Council will manage the estate to reflect this policy aim and consider new ways to support new entrants by providing smaller holdings.
Objective S3:	The County Council will develop a wide range of farm sizes to encourage a variety of business models and support rural development and economic regeneration. New tenancies should be typically based on a period of 10 years (with breaks for appropriate cases), with preference given to applicants who meet the Council's tenant selection criteria whilst generating a return to the County Council.
Objective S4:	The County Council will encourage commercial farm enterprises, maintain farm rental value and charge market rents on all new tenancies and extensions of existing tenancies.
Objective S5:	The County Farms Team will develop strategic management plans for each estate to demonstrate what contribution each estate can make to

	the various policy objectives and enable tenants to plan and invest in their businesses for the future.
<u>Financial</u>	
Objective F1:	Each year the County Farms Team will provide an estimate of the net income derived from the County Farms Estate to be allocated by the County Council to help support frontline services.
Objective F2:	The County Farms Team will develop an investment programme to improve the infrastructure, buildings and storage capacity for crops on the County Farms Estate.
Objective F3:	The County Farms Team will Identify sites across the County Farms Estate for development potential such as for affordable & market housing and for commercial activities.
Objective F4:	The County Farms Team will develop strategies and processes to minimise rent debt.
<u>Estate Management</u>	
Objective EM1:	The County Farms Team will demonstrate sound estate management practice, having due regard to the interests, aspirations and responsibilities of both the tenants and the County Council.
Objective EM2:	The County Council will rigorously enforce the terms of each tenancy agreement to ensure the holding is farmed in a proper tenant like manner, repair covenants are adhered to and all breaches, including subletting outside the scope of the terms of the tenancy, are minimised.
Objective EM3:	The County Council will manage the trees on the Estate in the interests of safety and visual amenity.
<u>Environment and Community</u>	
Objective EC1:	Will develop the County Farms Estate as an exemplar of innovation, working with Easton and Otley College, the University of East Anglia, Anglia Farmers and others to identify opportunities for partnership working that lead to improvements in training and employment in sustainable farming, providing apprenticeship opportunities, local food production and delivering community benefits.
Objective EC2:	Will provide, organise or facilitate mentoring and training for tenants to encourage better business management and diversification.
Objective	Will develop strategies to enable older tenants to retire with dignity and

EC3:	for the County Council to meet its obligations to tenants on retirement tenancies.
Objective EC4:	Seek to develop farms to help deliver wider corporate services and objectives, such as, for example, use as an educational resource centre, Care Farm, or developing links with local schools in conjunction with the appropriate County Council directorates.
Objective EC5:	Tenants of intermediate and larger sized holdings will be encouraged to support employment and training opportunities as well as to work with all the County Council's directorates to maximise healthy living and personal development opportunities.
Objective EC6:	<p>Actively encourage tenants to be exemplars of good environmental practice, such as (not a full list):</p> <ul style="list-style-type: none"> • Support for the Campaign for the Farmed Environment. • Actively maintaining permissive paths and rights of way. • Educating the wider community on modern farming methods.

Norfolk County Farms Estate Tenant selection process

(Adopted by Business and Property Committee on: date tbc)

1.0 Introduction

- 1.1 The County Farms Estate is a valuable resource and to ensure it is farmed appropriately and the opportunities it offers to prospective tenants are realised the County Council have established this tenant selection process endorsed by Business and Property Committee.
- 1.2 Holdings become available as tenants move on to larger farms, retire or their tenancies expire. Very occasionally the County Council has acquired new farm land and buildings and these are let once assimilated in to the overall County Farms Estate.
- 1.3 The County Farms Estate have two main tenancy entry points in to the estate:
 - (i) **Entry holding**, these are smaller holdings. They provide the first opportunity for starting a new farming business, on a full or part time basis. These tenancies will usually be for a maximum of 10 years with a break at 5 years operable by either party.
 - (ii) **Progression holding**, these are larger holdings for more experienced farmers. These tenancies run for between 10 to 20 years.
- 1.4 All new lettings are for a predetermined length and are let in accordance with the Agricultural Tenancies Act 1995 (as amended). On occasion, where the tenancy does not meet agricultural tenancy requirements, a business tenancy in accordance with the Landlord and Tenant Act 1954 will be required with a provision to contract out of the security of tenure requirements of the legislation
- 1.5 The general principle should be noted that County Council Farms are provided as a gateway into the industry and it is hoped that all successful applicants will continue to seek opportunities to move onto larger farms within the private sector.
- 1.6 A copy of the standard Agricultural Tenancy Agreement that sets out the obligations for the tenant and landlord will be provided as part of the application process. These agreements are not negotiable and applicants should ensure that they have considered the conditions and potential costs associated with each holding.

2.0 Expectations

2.1 The County Council has high expectations of its tenants. They are expected to:

- Develop viable businesses as a sole or main form of employment, however, this will be commensurate with the size of holding occupied.
- Be able to accumulate resources for future progression.
- Produce quality products that add value, meet local needs and the demands of customers.
- Be innovative and entrepreneurial.
- Be co-operative with other tenants as well as the landlord and managing agents.
- Have the necessary practical and management skills to react to changing circumstances.
- Look to improve the environmental and social wellbeing of Norfolk residents, for example in maintaining footpaths and looking to increase the biodiversity of their holding.

2.2 In return the County Council, through the County Farms Team will support each tenant to achieve their goals as well as applying professional estate management services.

3.0 Enquiries and advertisement

3.1 New farms estate lettings will be advertised in the local, and national farming press, County Council website and social media.

3.2 New lettings will be advertised as early as possible.

3.3 A detailed prospectus will be provided for each holding to be let, with key information that is known on each holding. Applicant will need to satisfy themselves on any specific areas of the holding.

3.4 Prospective Tenants may contact the County Farms Team at any time to enquire about farms available for letting, there is no preferential treatment with this having occurred. The County Council will note the enquiry but **will not retain** a list or record in respect of pre-advertisement enquiries. All such enquirers will be advised to periodically look on the County Council website, social media and press for forthcoming lettings.

3.5 A viewing day(s) will be held for all equipped holdings which attendance will be compulsory for a successful application (except on bare land lettings). The viewing day will provide the opportunity to inspect the holding and seek clarification of aspects of the holding.

3.6 A prospective tenant's day will potentially be held (may be held at the same time as a viewing day) to acquaint applicants with the selection process, the requirements of the business plan, the requirements of having a tenancy on

the estate and outline the professional advice applicants may need to obtain to support their application.

4.0 Selection process

- 4.1 Tenant selection is through a **two stage process**. The first stage is the assessment of applications by a County Council Officer panel (comprising the County Farms Manager and a minimum of one other County Council Officer) who will recommend a short list of applicants to be taken forward to the interview (2nd) stage. The final list of applicant to be interviewed will be agreed by the Head of Property. The process will also be independently audited.

All applicants are strongly advised to seek any financial, legal or professional advice that they see fit, before submitting an application. Norfolk County Council expects that holdings are run as viable businesses on commercial terms and applicants should consider whether they have the appropriate skills and resources to run such an enterprise.

There are a number of advisory bodies who can provide advice to applicants, as well as institutions (such as banks) who will be able to provide advice around the development of a business plan.

Applicants may use an agent (such as a surveyor or solicitor) to support them in the application process, however this is not a necessity to make an application. At interview it is expected that the tenant will attend unaccompanied, however, applicants who have a disability will be able to be accompanied to suit their needs.

4.1.1 Stage 1

Applicants will need to submit an expression of interest which must include practical, financial and environmental management proposals from which a shortlist will be selected. Applicants will be required to submit the following:

- A tender detailing the rental offer.
- A business plan (which should include an outline of the proposed business and budgets to demonstrate its viability and an indication of future development).
- Applicant's Curriculum Vitae (CV).
- Financial reference (1nr) and personal reference (1nr).
- Confirmation of attendance at the viewing day for the holding applied for.

As part of this stage the financial reference will be taken up and reviewed. This may include undertaking additional financial checks as appropriate.

On the basis of the written submission and satisfactory financial reference the officer panel will score each application against a pre-determined scoring matrix (see **appendix A**) and will recommend a short list of applicants to be put forward for the 2nd (interview) stage. The total number of applications recommended to go forward to the next stage is not pre-determined.

Scores from the first stage will be carried forward to the 2nd stage.

The results of the scoring of these applications may be made available for moderation by an external third party or Internal Audit (if required).

4.1.2 **Stage 2**

Prior to the interview, the stage 2 process for each applicant recommended for this stage will comprise:

- A County Council Officer from the County Farms team visiting prospective tenants to inspect existing holdings where they farm in their own right as owner/tenant (if applicable).
- The personal reference being taken up and reviewed by all members of the interview panel.
- The tender, business plan and CV being reviewed by all members of the interview panel.

For the interview itself:

- The interviews are undertaken by the members of the Tenant Selection Panel comprising:
 - Two elected Members from the Business and Property Committee (vote).
 - Head of Property (vote, plus casting vote if required).
 - County Farms Surveyor (vote).
 - Norfolk County Council may invite a technical expert to attend the panel from one of more of the following bodies (non-voting):
 - The National Farmers Union
 - Country Land and Business Association.
 - Tenant Farmers Association.
 - Applicants will be informed of the make-up of the interview panel in advance.
- All applicants will be asked the same questions, however there may be supplementary questions on particular points to ensure understanding by the panel.
- On the basis of the interview the panel will score each applicant against a pre-determined scoring matrix (see **appendix B**)
- The aim is to hold interviews for each holding on the same day, however this will depend on the number of applicants invited to interview and may extend to a second day.
- A decision will be made by the tenant selection panel as soon as possible after completion of all interviews for each holding. Decisions will be communicated to each applicant by telephone within 48 hours, followed by a decision letter. If required, appointments with the relevant County Farms Surveyor will be made for those unsuccessful applicants to provide more comprehensive feedback on their application. It should be noted that a decision can include not letting the holding to any of the applicants interviewed.

- 4.2 Lobbying/canvassing of County Council Officers and elected Members, or any of the potential non-voting panel members prior to or during the application process will lead to automatic and immediate disqualification of the applicant from the process. Furthermore the applicant will not be permitted to make new applications for a Norfolk County Farms Estate holding for a minimum of two years from the date the applicant was notified of the disqualification.

Applicants are advised not to use elected Members (or their local Councillor's) as either referees or references, nor ask for letters of support.

5.0 Criteria for applicants

- 5.1 The County Council have established strict criteria. Applicants must be able to demonstrate and provide evidence that they have fully met each criteria:

- (i) Applications from persons who are already established farmers in their own right and who intend to run the County Farm as an extension to their existing business, will not be considered in the first instance.
- (iii) Holdings are only available to persons who are prepared to farm them personally. In the event a tenant is challenged in this respect the onus will be on the tenant to satisfactorily demonstrate to the Council that they are in active management control of their farm and are exposed to commercial risk. The use of contractors for specific field operations is acceptable. Sub-letting of the farm is strictly prohibited.
- (iii) Where houses are provided, it is a general requirement for the tenant to reside at the holding.
- (iv) Tenants should not normally engage in any form of business other than agriculture, unless the holding is referred to as a part time holding within the letting particulars, although ancillary complimentary activities will be considered and encouraged in individual cases, based upon their merits.
- (v) Norfolk County Council expect their tenants to demonstrate commitment to improving the environment and social wellbeing on their holdings. This will include a commitment to maintaining access on permissive paths/public rights of way and also considering different forms of environmental stewardship.
- (vi) Preference will always be given, when selecting tenants, to applicants who can demonstrate that they have the most suitable practical and theoretical knowledge required for the type of farming most suited to the available holding.
- (vii) Applicants must be able to demonstrate that they have sufficient capital to enable the proposed business to be established and to enter a holding and work it. This can be quite substantial where an incoming tenant may be required to pay for the outgoing tenant's fixtures and

fittings, the Basic Payment Scheme or other subsidy entitlements, live and dead stock, sufficient to properly farm the holding

- (viii) In the case of holdings where farming is the main activity, applicants should be able to fulfil the minimum requirement of 5 years' full-time practical farm work which may include up to 3 years attendance at a full-time course in agriculture.
- (ix) Where the holding is small and the main enterprise proposed is non-agricultural, the applicant must be able to show sufficient experience in the proposed enterprise.
- (x) Applicants should normally be able to show that they have undertaken some formal training in the enterprise they propose to undertake and, other things being equal, preference will be given to these candidates. However, applicants may not be refused on these grounds alone if similar training and experience has been obtained in other demonstrable ways.
- (xi) The maximum length Farm Business Tenancy for a progression farm which will generally be entered into is for a period of up to 20 years (irrespective of any proposed retirement age) this will apply for new or renegotiated tenancies.
- (xii) It is unrealistic to lay down absolute criteria for the type of person required, but in practice it is overriding important factor for the 21st Century that the individual be keen, enterprising, adaptable and hardworking.
- (xiii) Applicant will not be discriminated against on the grounds of sex, race, marital status, sexual orientation, disability or age.
- (xiv) The rent payment record and general compliance with tenancy agreements of existing tenants will be taken into account when and if they apply for another holding on the County Farms Estate.
- (xv) Applicants who can demonstrate direct employment generation potential from their proposed business enterprise will have an enhanced likelihood of success.
- (xvi) Existing tenants successfully applying for a progression holding will be required to surrender their existing holding as a condition of being offered the new holding.

Appendix A

Stage 1 scoring matrix

- Applicants will be required to certify they have attended the viewing day for the holding applied for. Failure to attend the viewing day will preclude further consideration of the application.
- Whilst the tendered level of rent is an important consideration for the County Council, however, this aspect is not marked in the 1st stage assessment.
- There are 10 areas for consideration, as listed below, therefore the maximum possible score for each application is 40. Only applications which score above 32 points will be considered for interview. However, the final list of applicants invited for interview is at the discretion of the Head of Property
- Each area of consideration will be marked out of 4 (there is no “0” mark)

Score	Definition
1	No information provided
2	Adequate evidence provided
3	Good evidence provided
4	Comprehensive evidence provided

- Areas for consideration:
 - (i) Suitability against selection criteria.
 - (ii) Suitability against County Farms Estate objectives.
 - (iii) Suitability against estate strategic objectives.
 - (iv) Readily available capital.
 - (v) Experience and training relevant to holding and business plan.
 - (vi) Availability of machinery and equipment relevant to holding and business plan.
 - (vii) Practicality of business plan.
 - (viii) Likelihood of success and progression.
 - (ix) Ability to enter the farm and get going.
 - (x) Overall quality of application.

Appendix B

Stage 2 scoring matrix

- There are 6 areas for consideration, as listed below, therefore the maximum possible score for each application is 24.
- The interview score is combined with the score from the 1st stage assessment to give a total score for each applicant. The scores will be used as a basis for each interview panel to adjudge each applicant respectively rather than ultimately selecting the successful applicant. The interviewing panel members will judge

each applicant on their merits and vote for their preferred candidate. The Chairman of the interview panel (Head of Property) will hold the casting vote.

- Each area of consideration will be marked out of 4 (there is no “0” mark)

Score	Definition
1	No information provided
2	Adequate evidence provided
3	Good evidence provided
4	Comprehensive evidence provided

- Areas for consideration:
 - (i) Quality of presentation
 - (ii) Relevant farming experience
 - (iii) Adequate finance
 - (iv) Standard of application & clarity of business plan
 - (v) Determination & ambition to progress
 - (vi) Ability to deal with panel's questions

Norfolk County Farms Estate

Acquisition Criteria

(for new farm land/farm buildings)

(Adopted by Business and Property Committee on: date tbc)

1.0 Introduction

- 1.1 The Council's constitution requires the farms estate to be maintained at 16,000 acres or more in size. Given the pipeline of land that has been identified for potential acquisition/disposal, Norfolk County Council may significantly exceed the 16,000 acres minimum at any given point in time.
- 1.2 From time to time farm land and buildings becomes available and to aid agility in decision making as to whether the County Council will bid for a new holding these criteria have been developed.
- 1.3 It is accepted that a "perfect fit" will not always be possible but where a particular requirement is not fully met these criteria form the basis for providing the evidence for where compromises have been made.

2.0 Criteria for acquiring farm land and farm buildings (new holdings)

- (i) All new holdings will be acquired freehold.
- (ii) The new holding should be within reasonable proximity of an existing Norfolk County Farms Estate holding, (maximum of 3 miles by road).
- (iii) A new holding further than 3 miles by road will be considered if it is judged to be of sufficient size to be let as a stand-alone holding.
- (iv) The majority of the new holding (minimum of 75%) is located within the Norfolk County boundary.
- (v) The preference is for the new holding to be equipped with suitable buildings to support farming operations.
- (vi) The majority of the land will be grade 3 quality and above.
- (vii) New holdings that include easements and wayleaves for over and underground services will not be excluded from consideration.

(viii) New holdings are not to be encumbered, this could include:

- No waste tips.
- No sitting tenants.
- No over-cropping
- No deleterious materials (accepting that many farm buildings are constructed from asbestos cement sheeting).
- No “unusual” planning restrictions/designated uses have been applied.
- No listed buildings, sites of ancient monuments, former battlefield sites etc.
- No legal charges.
- No contamination from previous uses such as (not a fully inclusive list) military sites, industrial and commercial uses, or poor practice such as (not a fully inclusive list) non-control of invasive weeds, uncontrolled dumping.
- No substantial number of buildings, foundations and other structures remain from previous uses.
- No unresolved disputes over access to or use of the land.

(ix) Access to the new holding is direct from the public highway.

(x) All existing benefits in terms of subsidies, feed in tariffs, income from leases, mineral and sporting rights and the like are capable of being transferred to a new owner.

(xi) New holdings located wholly or partly within a national park or include areas of outstanding natural beauty will not be excluded from consideration.