

# Business and Property Committee

Item No.....

<b>Report title:</b>	<b>County Farms Update Report</b>
<b>Date of meeting:</b>	<b>8 September 2017</b>
<b>Responsible Chief Officer:</b>	<b>Executive Director of Finance and Commercial Services</b>
<b>Strategic impact</b> The County Farms Estate extends to 16,299 acres, supporting over 145 tenant farmers, and is the third largest Local Authority Estate in England & Wales. It contributes to the rural economy by creating businesses and employment.	

## Executive summary

This report is aimed at giving the members of the Committee a commentary on the works of the County Farms Team. The team has worked on various schemes throughout the summer period aimed at following on with recommendations of the audit report that had been taken to Policy & Resources Committee in January 2017. There are no lettings to be considered this year

### Recommendation:

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

- (i) Comment and provide guidance on the proposed Objectives & Policies in Appendix A.**
- (ii) Comment on the proposed letting procedure in Appendix B and to work with officers to define the process in the coming months.**
- (iii) Comment and provide guidance on the proposed acquisition criteria.**

**Following which formal proposals will be submitted for adoption at a future B&P Committee meeting.**

## 1.0 Introduction

- 1.1 The aim of this report is to give members a flavour of the work that officers have been undertaking on the estate and the issues that are facing the estate in general.
- 1.2 Preliminary reports on the harvest have been that it has been very much a stop and start operation this year given the weather patterns across the summer. The harvest started earlier than normally, given the dry period in May/June and then have been affected by the high winds and storms which have in localised areas have flattened the crops.

## 2.0 Strategy

- 2.1 Officers have started to review the make-up and composition of the estate given the significant changes that will affect the agricultural industry in the

coming years. Also the team are reviewing how Norfolk County Council maintain the estate to attract new farmers into the industry and provides opportunities for tenants to progress to economically viable units before they leave the estate to farm in the 'open market'. When this work is completed officers will bring back to the Committee proposals for adoption.

- 2.2 The precept of this work has been to look at the reasons why the County Council retains the County Farms Estate and are the right opportunities being provided for the tenants, to move them through the estate and towards opportunities provided in the open market.
- 2.3 The assessment is based on 4 categories
  - a) Entry Estate
  - b) Promotion Farm
  - c) Opportunity farm – for specialist use or conversion to a promotion / entry farm.
  - d) Disposal – Land or a farm unit that is no longer required for the estate.
- 2.4 It is proposed that the larger estates (Burlingham and Stow & Marshland) will provide the opportunity for the tenants to move into a larger farm before they leave the estate to find farming opportunities elsewhere in the future. This will also mean that the surrounding smaller estates will act as feeder units into these larger estates. Current work continues to develop these ideas.
- 2.5 **Appendix A** sets out proposed objectives and policies for the County Farms Estate. Following consultation with Members formal proposals will be submitted for adoption at a future B&P Committee meeting.

### **3.0 Tenant Representation**

- 3.1 The team have undertaken 3 'drop-in' meetings centred around the estates in Burlingham and Stow & Marshland, these have been very successful allowing the rural surveyors to meet on average 7 tenants during the course of a day and providing follow up meetings. The meetings have allowed the team to follow up on several issues for different tenants.
- 3.2 It is proposed that Tenants Meetings will be held at County Hall so that all future Annual Meetings can be held at the same time each year in a period where the majority of tenants are available.
- 3.3 One area of concern raised by tenants is around representation. Officers have had discussions with the Tenant Farms Association (TFA) to assess whether they are willing to act as the tenant's representative. It is envisioned that the TFA will charge a fee that will be applied to the tenants, this will need to be voted on by the tenants at the next meeting of the tenants in November.

## 4.0 Letting Process

- 4.1 For this letting season the County Farms Estate have not had any farms for letting this October 2017, plans are being prepared for farms to be let in Autumn 2018.
- 4.2 **Appendix B** outlines the draft process and selection criteria to be followed. Members are asked to provide comment and feedback on the selection criteria and approach. Formal proposals will be brought back to a future B&P Committee meeting for adoption.
- 4.3 Preparations are underway to let on a short basis the two farms at Hindringham to a local farmer before the farms are amalgamated with a new farm stead and then be let in 2018.

## 5.0 Development Opportunities

- 5.1 The County Farms Team are working on a number of development opportunities from the surplus buildings and land on the estate and though replacement of the buildings or amalgamation of farms as part of the restructuring of the Estate.
- 5.2 Some proposals relating to the estate are already developed and appear in the Disposal, Acquisition and Exploitation report elsewhere on this agenda.

## 6.0 Audit

- 6.1 Officers have continued to work on the recommendations of the BDO Report (copy in **Appendix C**) which was presented to Audit Committee in January 2017, the summary of the progress is shown below.

Item	Number	Completed	In Progress	Not Applicable
<b>Findings &amp; Recommendations</b>	<b>7</b>	<b>2</b>	<b>5</b>	<b>-</b>
<b>Appendix I</b>	<b>18</b>	<b>9</b>	<b>7</b>	<b>2</b>
<b>Appendix II</b>	<b>18</b>	<b>12</b>	<b>4</b>	<b>2</b>
<b>Appendix III</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>0</b>
<b>Total</b>	<b>53</b>	<b>29</b>	<b>20</b>	<b>4</b>

There are a number of issues regarding the progression of the provision of the property management system, this is to be progressed on a departmental basis.

## 7.0 Compliance Issues

- 7.1 Officers have appointed Norse to carry out the compliance work across the estate, these works have been planned to start with the dwellings across the estate and then to widen out to checks on all the buildings as necessary. Currently the County Farms property and estate data is being loaded on to the Norse Help Desk system.

## 8.0 Repairs

8.1 Naturally as the County Farms Team engage with the tenants there are a number of requests for works, these works have been procured. Going forward it is envisaged that the team will request repair works via Norse using the help desk so that all works can be tracked through to a conclusion.

## 9.0 Acquisition Criteria

9.1 The 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 been asked to look at a number of purchase opportunities across the county. At present there are no adopted criteria for the team to follow, therefore the following assessment is proposed to codify the acquisition criteria:

1. Proximity to existing County Farms Estate holdings. Does the land add value, is it a "piece of the jigsaw" to add to the estate?
2. If not close (say within three road miles), is it of sufficient size to be used as a stand-alone holding?
3. Could it facilitate the meeting of other Council objectives?
4. Is there development potential and likely timescale for realising such potential?
5. Does the site include buildings?

Given the Authority is seen in the market as being a 'special purchaser' it is good practice to appoint a firm of land agents to represent NCC and to provide the necessary advice on price. The assessment of land would follow Valuation of Rural Property 1<sup>st</sup> Edition Practice Guidance Notes published by the Royal Institution Chartered Surveyors.

9.2 Following consultation with Members formal proposals will be submitted for adoption at a future B&P Committee meeting.

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

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## Proposed Objectives and Policies

### Governance

- 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 improve relationships between tenants and the County Council to ensure greater transparency in decision making, advise the council on policy matters and will approve strategic management plans for each estate in addition to advising on acquisitions, disposals and the future investment strategy.

### Strategy

- Objective S1:** Maintain the size of the Estate at 16,000 acres or more. Where land or buildings are declared surplus and subsequently sold, to reinvest the proportion of the capital receipts as detailed in the Council's Financial Regulations in order to support the value of the estate, to improve its infrastructure and to help maximise income return.
- Objective S2:** The County Farms Estate should prioritise its fundamental aim of supporting new entrants to the market and the Council should manage the estate to reflect this policy aim and consider new ways to support new entrants by providing smaller holdings
- Objective S3:** 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 based on a period of 10 years, with preference given to applicants who meet the Council's tenant selection criteria whilst generating a return to the County Council
- Objective S4:** Encourage commercial farm enterprises, maintain farm rental value and charge market rents on new tenancies of larger farms, 200 acres and above, where appropriate and viable so to do.
- Objective S5:** Develop 10-year management plans for each Estate to demonstrate what contribution each can make to the various policy objectives

and enable tenants to plan and invest in their businesses for the future.

### Financial

**Objective F1:** To generate an agreed annual return to the County Council to help support frontline services.

**Objective F2:** Develop an investment programme to improve the infrastructure, buildings and storage capacity for crops on the Estate.

**Objective F3:** Identify sites across the Estate for affordable housing and development potential.

**Objective F4:** Minimise rent debt, having due regard to the viability of the holdings.

### Estate Management

**Objective EM1:** Demonstrate sound estate management in practice, having due regard to the interests, aspirations and responsibilities of both the tenants and the County Council.

**Objective EM2:** All breaches, including subletting outside the scope of the terms of the tenancy, shall be actively discouraged, with the terms of the agreement rigorously enforced.

**Objective EM3:** Manage the trees on the Estate in the interests of safety.

### Environment and Community

**Objective EC1:** Develop the Estate as an exemplar of innovation, with closer 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, local food production and delivering community benefits.

**Objective EC2:** Provide or organise mentoring and training for tenants to encourage better business management and diversification.

**Objective EC3:** Develop strategies to enable older tenants to retire with dignity and the 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 use as an educational resource centre or Care

**Farm, in conjunction with the County Council's relevant departments. Also develop links with local schools.**

**Objective EC5: Intermediate and larger sized farms should be encouraged to support employment and training opportunities as well as working with NCC's Children's Services and Adult Social Care departments to maximise healthy living and personal development**

**Objective EC6: Actively encourage tenants to support the Campaign for the Farmed Environment.**

## **Proposed Selection Process & Criteria**

### **1.0 Pre-Advertisement Enquiries**

- 1.1 Whilst prospective Tenants may contact County Farms Team to enquire about farms available for letting, there is no preferential treatment with this having occurred. The Council will note the enquiry but is not responsible for keeping a list or record in respect of this, until such time a site is actively marketed and it is appropriate to do so. All prospective Tenants to be informed to look on the website, County Farms Facebook page for forthcoming lettings.
- 1.2 The properties to be let will be advertised in the local, and national farming press, County Farms Website and social media. Where tenancies are granted on a one year basis these may not need to be marketed as they are not considered a new letting.
- 1.3 A viewing day will be held at which attendance will be compulsory for a successful application (except on bare land lettings).
- 1.4 A prospective tenant's day will potentially be held at a local agricultural college to acquaint prospective tenants with the requirements of the business plan, the requirements working on the estate, and the selection process.
- 1.5 Sites will be advertised as early as possible.

### **2.0 Selection Process**

- 2.1 A two Stage selection criteria where the officers will undertake the general sifting of the applicants before submitting the selected candidates forward to the Interviewing Panel.

#### **Stage 1**

Interested applicants will need to submit an initial expression of interest which must include practical, financial and environmental management proposals from which a shortlist will be selected. Short-listed applicants will be visited at their place of work and those on the final shortlist will be invited to an interview. The scoring of these applications will be moderated by an external third party or Internal Audit.

#### **Stage 2**

The interviewing panel will comprise a mix of officers and/or members of the Council together with external advisors from the agricultural industry and a decision upon the appointment is usually made during the course of the interview day.

- 2.2 Tenants will be chosen through a selection process which involves the prior submission of their business plan and budget accounts based on enterprises. If shortlisted, a financial reference is required and applicants will be visited in advance of the interview.
- 2.3 At interview there would be two elected members [to be agreed], Head of Property, the County Farms Manager and, where possible, representatives from the National Farmers Union or Country Land and Business Association or Farms Tenants Association, these 3 representatives will not have a vote.
- 2.4 The following advice will be given to prospective tenants:
- Submit a tender, your CV and business plan (which should include an outline of the proposed business and budgets to demonstrate its viability and an indication of future development)
  - The Tenant Selection Panel and Land Agents study all tenders received from which a shortlist of applicants are selected.
  - The Land Agent visits prospective tenants to inspect existing holdings (if applicable).
  - Financial and personal reference are taken up.
  - Interviews are undertaken by the members of the Tenant Selection Panel and the Officers together with the non-voting advisors.
  - Applications are weighted as follows:

Technical ability	25%
Finances	25%
Progression Business Plan	25%
Entrepreneurial flair	10%
Professionalism	15%

- Part time starter units - 10 years (subject to a performance break at year 5)
- Promotional holdings - a maximum of 20 years

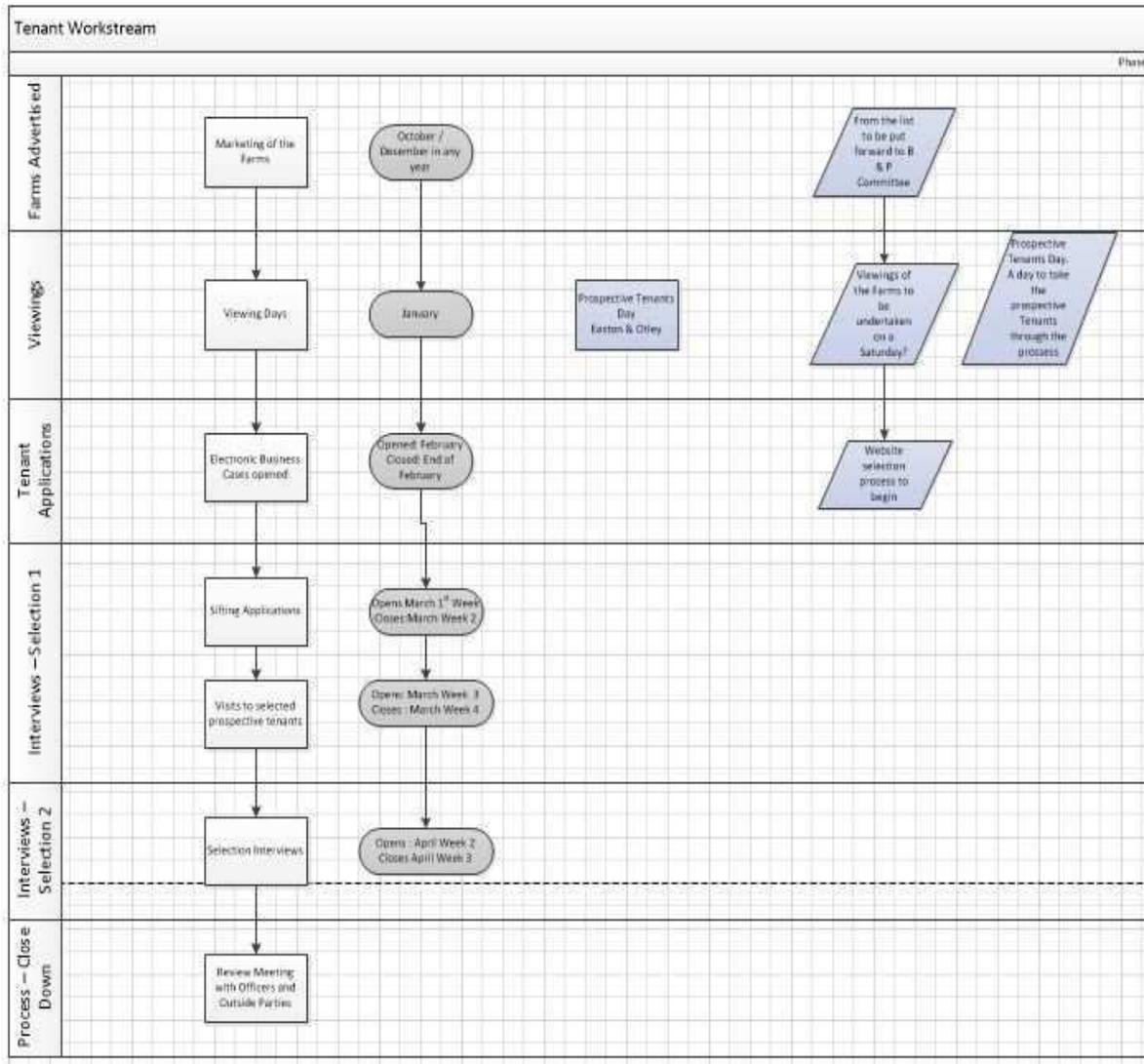
### **3.0 General Criteria**

- 3.1 To be eligible for consideration, applicants must be able to demonstrate that they can fulfil the following conditions:
- (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.
  - (II) Holdings are only available to persons who are prepared to farm them personally, and be in control, whilst usage of contractors for specific field operations is necessary, sub-letting for specialist crops has to be limited.

- (III) Where houses are provided the tenant is required 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 suitable cases, based upon their merits.
- (V) Preference is always 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.
- (VI) Prospective tenants must be able to show that they have sufficient capital 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, Basic Payment Scheme or other subsidy entitlements, live and dead stock, sufficient to properly farm the holding
- (VII) Applicants should be able to show that they have obtained sufficient experience in the type of farming or enterprise for which they are applying.
- (VIII) In the case of holdings where farming is the main activity, applicants should be able to fulfil the minimum requirement, i.e. 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 should 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 should not be refused on these grounds alone if similar training and experience has been obtained in other ways.
- (XI) Evidence of sufficient financial support to enable the proposed business to be established is to be provided.
- (XII) The maximum length Farm Business Tenancy for a progression farm which will be entered into is for a period of 20 years not until retirement of the tenant, this will apply for new or renegotiated tenancies.
- (XIII) It is unrealistic to lay down absolute criteria for the type of person required, but in practice it is overriding important for the 21st Century that the individual be keen, enterprising, adaptable and hardworking.
- (XIV) Applicant will not be discriminated against on the grounds of sex, race, marital status, sexual orientation, disability or age.
- (XV) The rent payment record and general compliance of existing tenants will be taken into account when and if they apply for another holding on the Estate.

(XVI) Applicants who can demonstrate direct employment generation potential from their proposed business enterprise will have an enhanced likelihood of success. Extended to include the wider policy objectives, i.e. environment, education, care farming, etc.

## 4.0 Flow Chart of Events



**BDO audit report**