

Investing in Leicestershire Programme

Rural Estate Strategy
2025 – 2035



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1. Foreword

To be drafted in final version and include introduction from the Lead Member

2. The Vision and Ambitions for Leicestershire's Rural Estate

This Strategy details our overarching vision, ambitions, intentions and focus for the management of the Rural Estate over the next 10 years.

Vision

To create a Rural Estate that provides opportunities for people to establish thriving rural businesses, supports the rural economy and local communities and makes an increasing contribution to the attainment of the Council's strategic objectives whilst delivering ongoing benefits.

Ambitions

To retain a core estate of farms that have an appropriate mix of sizes and are suitably equipped to support new entrants and existing tenants to run viable and sustainable rural businesses resilient to changing market conditions.

To realise the estate's potential to deliver financial benefits that help support the provision of services for the people of Leicestershire.

To increase the contribution the estate makes to the achievement of the objectives and outcomes of the Council's Strategic Plan thereby improving the economic, social and environmental wellbeing of Leicestershire.

To strengthen existing partnerships and create new relationships with stakeholders to secure the delivery of strategic objectives and outcomes

(Visual in final version)

2.1 Purpose of the Strategy

The purpose of the Rural Estate Strategy is to inform decision making on the future management of the portfolio, providing an overarching vision and strategic objectives and a plan to guide the estate's future day to day management.

The strategy includes a comprehensive overview of the current Rural Estate and establishes how it can be better aligned to support the Council's corporate aims and objectives.

Further, by examining the current performance of the estate the strategy will outline how it can be more effectively and efficiently managed and developed over the next 10 years. Maximising opportunities for enhancing the delivery of increased financial, environmental and social benefits in line with the IILP Strategy.

The vision, ambitions and objectives have been developed to ensure best consideration is achieved in terms of use, financial and social return.

This review of the Rural Strategy has been commissioned in accordance with the overarching IILP Portfolio Management Strategy 2024-28. In view of the prevailing economic and business climate and the need for the County Council to maximise the potential of all its property assets, it is appropriate to ensure that the vision, objectives and management strategy remain relevant and are aligned with the wider strategic aims of the County Council.

The aim is for the estate to support the rural economy and local communities, provide a gateway into the farming industry and continue to deliver financial benefits to support service delivery.

3. Estate Overview

3.1 History

County Councils have had a statutory duty to provide smallholdings (later referred to more generally as County Farms) since the Small Holdings and Allotments Act 1908. Various Acts and reports expanded upon this duty leading up to the Agriculture Act 1970 which set the objective that County Farms authorities needed to offer opportunities to new entrants and to work to sustain existing tenants in their farming career – this could be in conjunction with other providers including the private sector. Once established, the 1970 Act placed a responsibility on Authorities to maintain the estate and review management regularly.

It is against this background that Leicestershire County Council has owned farm properties for over 100 years. The bulk of the Rural Estate was purchased during the period 1920 – 1930 followed by some smaller opportunity purchasing in the 1960's. Latterly, since its incorporation within the Investing in Leicestershire Programme a small number of additional investments have been made.

Held under the provisions of the Agriculture Act 1970, for the period from 1980 to 2014 the estate was managed on a trading account basis separate from other corporate property requiring it to be self-funding. Since 2014, the estate has been managed as part of the Council's wider investment portfolio and is currently held within the Investing in Leicestershire Programme portfolio. Throughout the period from 1980 the estate has been regularly reviewed with major reviews undertaken in 1987, 1993, 1998 and 2010; the last interim review being undertaken in 2013.

In 2008 the Sustainable Farming and Food Delivery Group produced a guidance report titled '*The Importance of the County Farms Service to The Rural Economy*'. The report was produced in collaboration with the Tenant Farmers Association, the Country Land and Business Association, the Royal Institution of Chartered Surveyors and the National Farmers' Union. More recent reports from the CPRE, the Countryside Charity and its partners – ¹(2019) and ²(2022) concluded that farms owned and managed by Local Authorities are an important, strategic national asset and assist authorities in meeting

¹ https://aces.org.uk/wp-content/uploads/2020/06/CPRE-Report_Reviving-county-farms_Dec2019.pdf

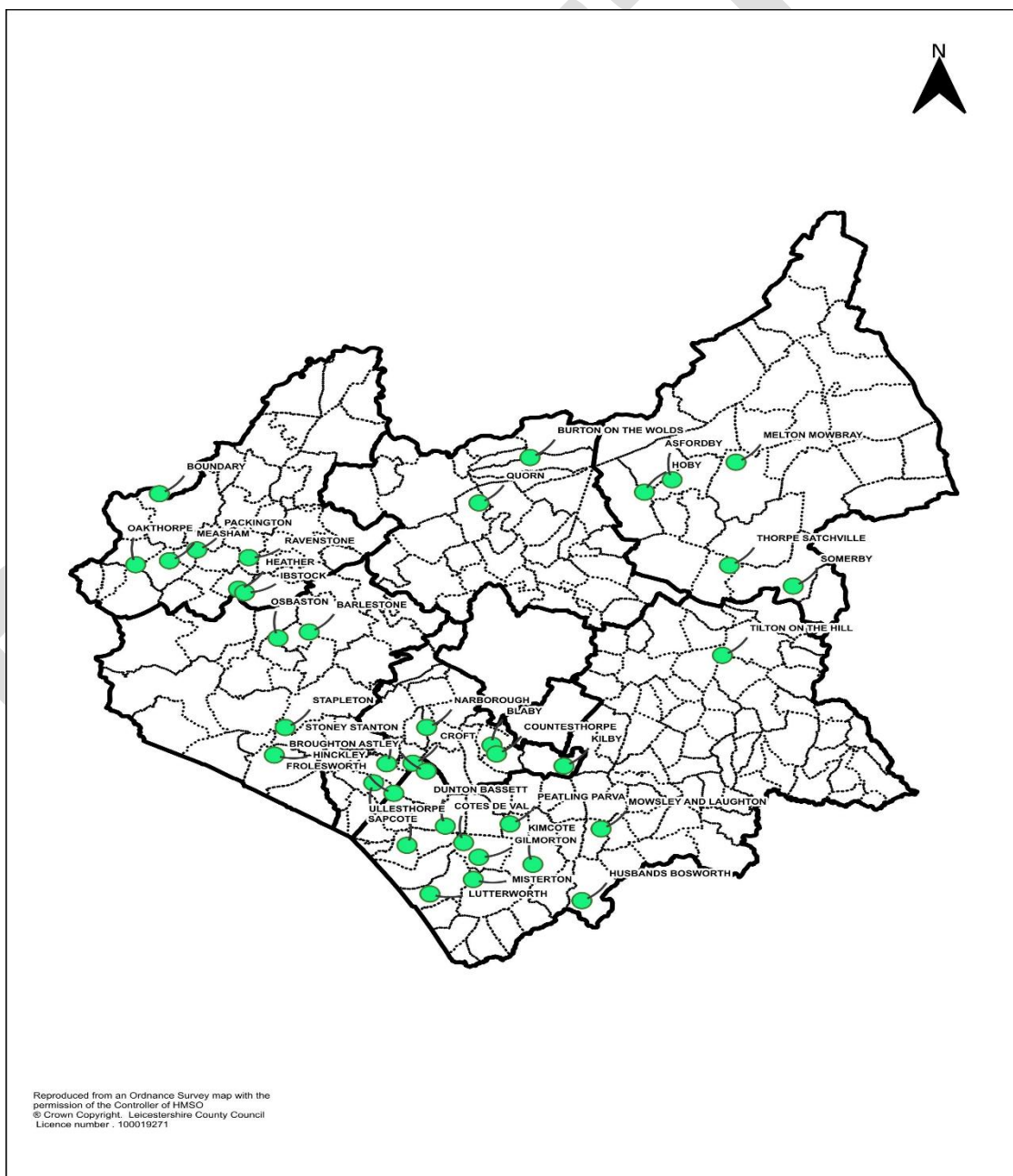
² <https://www.cpre.org.uk/wp-content/uploads/2022/03/reimagining-council-farms-full-report.pdf>

wider regional economic, countryside and environmental objectives. The reports also recognised that County Farms provide an essential route into farming for new entrants.

These reports coupled with the wider strategic objectives of the Council have formed the basis of the Council's policy over the last 12 years.

3.2 Structure of the Estate

The Rural Estate is spread geographically across the county, as detailed on the plan below, and comprises individual blocks of land ranging in size from a single small area of bare land to estates containing multiple fully equipped farms (i.e. farmhouse, buildings and land – a fully functioning “farm” holding). As can be seen from the plan there is a significant concentration (80%) of main farms situated in the southwest of the county in the Harborough, Blaby and Hinckley areas.



The Council owns the freehold of the entire estate which extends to 7,359 acres and has a current asset value of £95.9m. This represents 41%, by value, of the direct property assets within the Investing in Leicestershire Programme portfolio; an independent review of the IILP portfolio by Hyman Robertson in 2024 recommended maintaining the rural estate at its current level.

The estate comprises 6,996 acres of farmland made up of 65 main farms, including one bare land holding, together with 45 partially equipped, secondary, bare land holdings and areas of allotments. In addition, there is one cottage let on a residential tenancy, 11 business tenancies in respect of 2 minerals leases, sports fields and utilities infrastructure together with 275 acres of woodland or land of high ecological value including the Misterton Marshes SSSI. The table below shows the current make-up of the farmed land within the estate and compares it to the position at the time of the last review.

	2015		2025	
	Number of Holdings	Area (acres)	Number of Holdings	Area (acres)
Starter dairy farm	25	1,888	9	776
Promotion Dairy farm	16	2,034	14	1,754
Mixed Dairy farm	2	213	0	0
Non-dairy livestock farm	21	1,688	33	2,922
Small "retirement" holdings	8	73	8	193
Bare Land	8	587	1	25
Sub-Total	80	6,483	65	5,670
Land let on short term tenancies of up to 5 years		614		1,326
Cottages and Business Lettings		68		88
Woodland and ecological sites		238		275
Total		7,403		7,359

The changes in the composition of the estate over the last 10 years reflects that it has been responsive to the changing economic conditions within the farming industry, resulting in a move away from small intensive dairy farms to larger mixed livestock units.

In addition, recognising the need for tenants to maintain a thriving business the Council has supported, by the granting of the necessary Landlord's consent, those tenants wishing to support or expand their businesses by taking additional land, diversifying the farming business by the generation of income from a secondary enterprise or taking the opportunity to add value to their farm produce.

In addition to recognising the existing use and farming potential of the holdings within the overall estate some farms have been identified as having potential to deliver enhanced value through the promotion of development opportunities in respect of parts of the land or buildings. 37 areas of land have been identified with future development potential and 15 areas capable of delivering significant biodiversity

net gains or supporting woodland expansion. These areas of land will form a pipeline of development sites to be promoted over the next 20 years. The realisation of this potential will form an integral part of estate strategy in future years providing a stream of capital receipts vital to the delivery of the capital programme. Critically this will allow for reinvestment in maintaining the optimal size of the estate by the purchase of additional farms thereby providing further letting and relocation opportunities, and the potential to create larger promotion units to support the business development for farm tenants.

3.2.1 Occupation

The farms and other land holdings are predominantly let, with some 'in hand' or vacant properties; with lettings being made in accordance with the legislation in place at the date of letting. The table below details the different forms of letting arrangements of the main farm holdings. It illustrates the changes in the statutory provisions and estate strategy over the years; the latter seeing "model" repairing and insuring obligations replaced by the introduction of full repairing and insuring terms.

Statutory Provision	Tenancy Type	Repairing Obligations	Number	%
Agricultural Holdings Act 1986	Lifetime	Model Clauses	6	9
Agricultural Holdings Act 1986	Retirement	Model Clauses	12	18
Agricultural Tenancies Act 1995	Farm Business Tenancy	Model Clauses	7	11
Agricultural Tenancies Act 1995	Farm Business Tenancy	Full Repairing and Insuring	40	62
		Total	65	100

Over time the proportion of Agricultural Holdings Act lettings has reduced; the statutory rights to succession not applying to County Farms having been specifically excluded from the Act. This trend will continue until all lettings on the estate are Farm Business Tenancies.

3.2.3 Heritage, Conservation and the Environment

The rural estate currently includes 2 listed farmhouses, one Site of Special Scientific Interest, 2 scheduled ancient monuments and a number of properties lying within conservation areas or areas of environmental protection. More generally the rural estate, being largely devoted to livestock farming, is rich in hedgerows, supports areas of ancient ridge and furrow and has areas of natural habitat interspersed with natural and managed woodland all of which it seeks to protect and enhance.

Mindful of the Council's responsibility to conserve heritage assets and protect and enhance the environment, all tenancy agreements afford such assets the appropriate level of statutory protection. This is further reinforced by requirements on tenants to manage farms in a manner that prevents pollution, maintains permanent pasture, protects trees and makes a positive contribution towards nature conservation including the implementation of the recommendations of a conservation assessment undertaken at the start of the tenancy. Tenants are also encouraged to participate in environmental stewardship schemes with the result that prior to the passing of the Agriculture Act 2020, 2,025 acres of the estate were within Countryside Stewardship Schemes.

3.3 Benefits of the Estate

In considering the performance of the Estate, account is taken of financial and non-financial performance and the ability of each asset to deliver benefits in the future. Currently potential initiatives are identified and progressed on an opportunity basis in circumstances where their achievement does not conflict with other objectives.

3.3.1 Non-Financial Performance

The following has been achieved in recent years:

- Planning consent achieved for 3,242 homes and 1,095,000 sq. ft. of employment space together with the supporting community infrastructure including 4 primary schools and community buildings.
- Establishment of a privately run farm SEND school at Broughton Astley.
- Delivery of a traveller's site at Gilmorton.
- Delivery of allotments site at Lutterworth with extension to existing sites at Broughton Astley and Ibstock.
- Creation of 35 acres of woodland at Ravenstone and establishment of the Ernie White Memorial Woodland at Croft.
- Creation of more than 50 job opportunities in connection with the alpaca farm and children's nursery at Scamhazel Farm, Boundary.
- Provision of land for Baptist Church car park at Sutton in the Elms.
- Environmental enhancements including the improved stewardship of Misterton Marshes SSSI, a pond creation project at Mowsley and the provision of hedging plants and trees across the estate.

In the development of the management plan detailed in Part 2, this approach has been expanded to consider what strategic benefits the portfolio can deliver through the adoption of an individual plan for each estate and core holding.

3.3.2 Financial Performance

The Rural Estate has a track record of consistently outperforming the wider agricultural investment market. The overall returns for the estate over the past 1, 3 and 5 year periods averaging 8.2%, 7.9% and 12.3% respectively, well above that of the market as shown in the table below.

	2024-25	3 year	5 year
Net Income Return	0.4%	-2.3%	-0.3%
Capital Growth	7.7%	10.4%	12.8%
Total Return	8.2%	7.9%	12.3%
Market Income Return	1.3%	1.2%	1.2%
Market Capital Growth	0.5%	4.1%	2.5%
Market - Total Return	1.8%	5.3%	3.7%

These figures reflect the fact that revenue returns achieved from the day-to-day management of the estate have been constrained at below market levels over the period between 2020 and 2023, having been considerably impacted by the need to fund the decontamination of Firs Farm, Husbands Bosworth following the illegal dumping of waste.

However, it is the returns from capital account surpluses achieved through the sale of development land and surplus farmsteads amounting to £25.9m (including the value of contracted sales) over the past 10 years together with the uplift in values resulting from the generation of “hope value” that have allowed significant capital growth to be achieved year on year.

Rental income has grown from £835,876 to £1,074,597 over the past 10 years and now averages £146 per acre; the increase being achieved through the review of rents, targeted investment in structural improvements, and rental uplifts achieved at reletting as farms transfer from Agricultural Holdings Act tenancies to Farm Business Tenancies. These increases coupled with efficiencies achieved in the management of the Estate have helped to offset the increased cost of Landlord’s maintenance and repairs, including areas of statutory compliance, which have run at above inflation levels for several years. Further, throughout the period income has been maximised by drawing in available support payments and grant funding from environmental stewardship schemes.

Only modest levels of capital investment, £250,000 in 2024/25 financial year, and £450,000 in 2025/26 have been allocated for farm improvements in the MTFS capital programme, and with no grant funding currently available to the Council this has restricted the ability of the estate to maintain the viability of some core holdings and meet regulatory standards.

A future challenge for the estate is ensure that the estate continues to deliver a stream of capital receipts that enables funds to be provided to deliver the improvements necessary for farms to meet all regulatory standards, provide viable and resilient farming opportunities and the income returns necessary to support that investment by maintain rent at full market levels. In recognition of the ongoing contribution the estate makes to the capital programme and to maintain its optimal size, investments to the value of £3.335m have been made on land purchases, principally at Walton Holt Farm.

3.4 Management of the Estate

3.4.1 Maintenance, Repair and Insurance

Repairing obligations vary across the estate according to tenancy type and the date of entry (as detailed in the previous table). The responsibility in all Agricultural Holdings Act tenancies and those Farm Business Tenancies where the original tenancy was granted before 1998 is based on “Model Clauses” where the obligations are shared between Landlord and Tenant as currently set out in the Parts I and II of the Schedule 1 to the Agriculture (Model Clauses for Fixed Equipment) (England) Regulations 2015. Those Farm Business Tenancies granted in respect of new lettings since 1998 are on full repairing and insuring terms.

Currently 62% of the main farm holdings are let on full repairing terms. Whilst in theory this reduces the level of day-to-day expenditure on maintenance and repair for the Council, it remains responsible for ensuring the farms meet regulatory compliance standards. In addition, at the termination of the tenancy it is often necessary for the Council to invest in improvements to fixed equipment and buildings necessary to provide a resilient farming enterprise.

Over the past 3 years an average of £361,700 has been spent annually on maintenance and repair across the estate. Based on 2015 figures, the overall Planned Preventative Maintenance (PPM) Programme for the estate over a 15-year period amounts to £20.7m. £432,000 has been identified as urgent and

requiring attention within 12 months. Savings on some of the PPM have or will be achieved by the disposal of uneconomic holdings. The need remains to maintain an appropriately funded programme to meet the estate's ongoing maintenance requirements, and the detail will be clarified as detailed condition surveys take place.

The Council insures all the buildings on the estate, recharging those tenants with full repairing and insuring terms the premium relevant to the holding they occupy, thereby reducing the risk of potential under insurance and financial loss.

3.4.2 Management

In recent years the estate has been managed by an in-house team of land agents and support staff employed within Strategic Property Services supplemented by external expertise.

The in-house team are responsible for undertaking the day-to-day management of the estate including the letting of farms and tenancy management including rent reviews and lease renewals, the management of repairs, maintenance and farm improvements, monitoring statutory compliance, farm inspections and tenant liaison together with the management of all associated budgets and debt. In addition, the team makes a significant contribution to the development and of implementation management plans, the disposals and acquisitions programme and the monitoring and reporting of performance. External support has been utilised to benefit from wider market knowledge, for example to support new tenant selections and rent reviews, or specialist knowledge, such as regulatory requirements and maintenance surveys.

To ensure the management of the estate meets best practice standards it is expected to continue to supplement staff resources with specialist legal and consultancy advice, together with the information and financial systems required to underpin delivery, were appropriate and contributing to the continued effective and efficient management of the portfolio in the future.

With continued increases in regulation and changes in Government support to farming it will be essential to ensure that the balance between in-house and external support is right. It is expected that the in-house expertise will increasingly focus on overseeing the Council's landlord responsibilities, enhancing the relationship with our tenants and promoting the estate and farming. As well as, setting the strategic direction for the estate, monitoring the delivery of the strategy and leading on special project activity, e.g. nursery farm concept.

4. Future Vision

4.1 Strategic Ambitions and Objectives

To support the delivery of the overall vision the 'Ambitions and Objectives' summarised below have been formulated.

Ambition - To retain a core estate of farms that have an appropriate mix of sizes and are suitably equipped to support new entrants and existing tenants to run viable and sustainable rural businesses resilient to changing market conditions.

Currently, the estate comprises 65 main holdings. A number of these farms have been occupied by the same tenant for a significant length of time and devoted to a system of farming that has not required the parties to invest in significant modernisation in line with the changing economic or technological landscape. Consequently, many of these farms will require substantial investment to support and develop a new farm business beyond the current tenant.

In many cases these holdings are smaller scale, thereby requiring either an intensified farming enterprise or particular niche operation to be considered sustainable in the long term. The intention is that the strategy demonstrates the council's on-going commitment to retaining the rural estate, whilst rationalising, enhancing and diversifying it to generate capital receipts, improve opportunities for sustainable farming and meet the wider obligations and objectives of the Council over the medium to long term.

By restructuring the estate and where appropriate, amalgamating two or more holdings and focusing investment on the best located or equipped of the existing units, a core estate would be maintained at approximately its current size of 7,359 acres but comprise a reduced number of farm units; the remaining farmsteads being sold off or repurposed for an alternative use.

As part of the evaluation of the existing farms, location, condition, compliance, and compensation liability would be key considerations in determining suitability for retention. Accordingly, the release of those farms with the highest liability for future expenditure would enhance revenue returns, reduce landlord's exposure to risk and facilitate the more effective use of resources enabling funding to be focused on maintaining the sustainability of core holdings and the businesses they support

External investment consultants Hymans Robertson undertook a review of the whole IILP portfolio in January 2024 and recommended that the rural estate be maintained at its current level of investment relative to other sectors within direct property portfolio in terms of value as a proportion of the whole portfolio. However, since that review the subsequent revaluation of the estate has resulted in a substantial uplift in its value thereby significantly increasing its proportion of the overall portfolio.

Furthermore, the review also recommended that properties that were consistently underperforming or unlikely to perform at target levels in future years (for reasons other than the tenant's personal performance) should be disposed of and the monies realised reinvested in property that was attractive to the market and secured long term income and capital growth. The maintenance of the critical size of the estate being supported by a 5-year disposals and acquisition programme.

Objectives	1 – 5 years	6 – 10 years	Ongoing
To complete a comprehensive review of the Estate and prepare and implement, over the lifetime of the strategy, an estate wide restructuring plan.	✓		
As part of the review select a suitable holding and establish a pilot starter/ nursery unit.	✓		
To invest in farm improvements in order that each core holding has sufficient buildings and fixed equipment to support a viable rural business.	✓	✓	✓

To produce and implement a 5-year programme to manage the maintenance requirements and level of outstanding improvements related to statutory compliance.	✓		
To invest in additional rural assets that have the ability to make a positive contribution to the delivery of the estate's strategic ambitions.	✓	✓	✓
To establish an accurate estate wide capital and revenue budget spend forecast.	✓		

Ambition - To realise the estate's potential to deliver financial benefits that help support the provision of services for the people of Leicestershire.

In addition to supporting the delivery of the Council's Strategic Plan, the principle aims of the Investing in Leicestershire Programme Strategy are:

- Support growth in the county and its economic area of influence and ensure: there is a more diverse range of properties and land assets available to meet the aims of economic development.
- to maximise returns from Council owned property assets
- to support the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs
- to enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery

to maximise the potential to address economic and social market failure It is necessary to ensure that returns from the estate are demonstrably at least equal to that which is being achieved on the open market for equivalent assets (with the exclusion of any holdings subject to any temporary new entrant incentive scheme).

To generate sustainable positive income returns it is necessary to provide farms which are attractive to the market, thereby attracting higher performing tenants, and furnish them with the opportunity of making an equitable return on their investment which consequently attains the market level of rental income. This can only be achieved by having well equipped and maintained holdings supported by an agreed programme of future investments.

A key component of long-term rural estate management is sustained, positive, capital growth; this is achieved through a combination of obtaining the right rental levels and the realisation of development potential through a systematic approach to management of the development pipeline.

A long-term management view will also support tenants to plan their own investments and increase the potential for suitable alternative sites to be found where re-location is required.

Reviewing the estate's assets, an appreciation of their development potential and the timescale for its realisation, are essential to ensure that the pipeline of potential developments is proactively promoted and

brought forward for delivery or disposal. This continuing flow of capital receipts supports the Council's wider capital programme including the future investment in farm improvements and property.

Objectives	1 – 5 years	6 – 10 years	ongoing
To match or exceed the financial returns achieved by the wider agricultural investment market.	✓	✓	✓
Through investment in farm improvements increase rental income and reduce outgoings to increase annual revenue balances returns over the medium term.	✓	✓	
To maintain and promote a pipeline of potential development sites to provide an ongoing stream of capital receipts ensuring that engagement with tenants is maintained throughout the process and opportunities explored for the relocation of the tenant and continuation of the farming business to minimise disruption.	✓	✓	✓

Ambition - To increase the contribution the estate makes to the achievement of the objectives and outcomes of the Council's Strategic Plan thereby improving the economic, social and environmental wellbeing of Leicestershire.

The rural estate already makes a significant contribution to the economic, social and environmental wellbeing of the County. The challenge is to ensure that this contribution continues to increase year on year.

The normal farming activities of the tenants supports the local economy through employing essential labour and engaging with the supply chain and local services such as feed merchants, machinery suppliers, veterinary surgeons and agricultural contractors, alongside the Council contributing through the procurement of building works contracts etc. In addition, farm diversification and the achievement of added value has the potential to make a further substantial input to these areas.

Allied to the economic benefits, the provision of community facilities through the practice of identifying and addressing existing under provision, forms part of the current process in the promotion of potential development opportunities. Ensuring that where practical land is set aside to accommodate local needs for such things as new schools, cemeteries, playing fields or additional public open space.

Furthermore, in its role of corporate landlord, sites are similarly identified within the estate with a view to their future use to support essential services including, for example, the provision of depot sites and sites for travellers and travelling show people.

However, there is a need to develop a structured approach to the identification of local needs through developing closer working relationships with local communities in order to better identify where it is possible to make a positive contribution in the future.

In addition, bringing forward land for housing and employment uses, supports economic growth across the wider economy leading to further job creation, training opportunities and greater prosperity.

Aware of the benefits of providing improved access to the countryside to improve wellbeing and its potential conflicts with normal farming operations, it is possible, particularly in respect of urban fringe farms, to design and manage schemes that provide safe walking routes which benefit the farm by segregating livestock from the general public. Where appropriate such schemes could be progressed on an estate-wide scale as has previously happened at Misterton, and through engagement with the local access forum.

The potential exists for enhancing the measurable impact of the estate towards the environmental goals of the Council, through the implementation of biodiversity improvements and the planting of trees to further support flood management work and contribute towards climate adaptation actions.

Acknowledging strong market interest, work is ongoing to identify such opportunities and identify the most appropriate delivery model for such projects ensuring that in all cases target rates of return are achieved from any investment.

In the restructuring of the estate, appropriate areas of land could be identified and set aside to support these initiatives in a way that minimises the impact on farm viability (or compliments the existing farm management system) by utilising land of lesser economic value to provide enhanced income streams.

Biodiversity net gain baseline assessments of 12 potential sites have been undertaken suggesting that in excess of 400 credits could be generated across the estate. Further business case testing will determine whether a realistic return can be achieved by progressing the schemes.

At present, with Landlord's support and approval tenants farming approximately 19% of the land within the estate participate in the Countryside Stewardship Scheme. However, with the scheme transitioning to new support mechanisms it is anticipated that more will be able to enter the new Environmental Land Management Schemes. It is proposed that all appropriate applications will be supported and form part of the shared future management proposed for each farm.

Objectives	1-5 years	6-10 years	ongoing
Support tenants wishing to diversify their business by establishing a secondary enterprise or by adding value to farm produce.	✓	✓	✓
Identify opportunities to make a positive contribution by providing improved community facilities and work with partners to secure their delivery.	✓	✓	✓
Encourage tenants to work with local communities to increase educational opportunities.	✓	✓	✓
Provide opportunities for improved public access across the estate.	✓	✓	✓
To deliver biodiversity improvements across the estate to support the delivery of Council developments and infrastructure or achieve financial benefits through the sale of credits.	✓	✓	✓

Contribute to the achievement of the Council's environmental targets by planting additional trees and areas of woodland, linking with flood management and climate adaptation objectives where appropriate.	✓	✓	✓
Establish policies for consenting to and enabling tenants to implement the delivery of Environmental Schemes.	✓	✓	✓

Ambition - To strengthen existing partnerships and create new relationships with stakeholders to secure the delivery of strategic objectives and outcomes

Strong partnerships and the building of new relationships are a key element of any successful venture; central to the success of the rural estate is the landlord/tenant relationship with both parties, whilst protecting their own interests, acting on the basis of mutual trust, collaboration and partnership.

Whilst dependent on sufficient resources being available to ensure that good communications and regular contact is maintained with tenants, this approach delivers long term benefits to both parties through the exchange of information vital to the making of sound management decisions.

With the focus of the estate's strategy shifting it is important to build similar good working relationships with other services across the authority able to contribute specialist knowledge and expertise to the delivery of shared objectives. An example of which will be to ensure that biodiversity schemes make a positive contribution to the Local Nature Recovery Strategy through collaboration with the Council's Environment Team in locating schemes, drawing down funding and targeting interventions. By building and enhancing good inter-service relationships the potential exists to increase links to a wider pool of external stakeholders resulting in the ability to develop further partnerships and access additional funding.

Objectives	1 – 5 years	6 – 10 years	ongoing
Improve communications, engagement and collaboration with tenants by the adoption of best practice management policies including the provision of advice and support in meeting changes to the regulation or external funding of farming.	✓	✓	✓
Work collaboratively with other Council services to ensure a co-ordinated approach to the achievement of shared objectives. For example, supporting the regenerative farming project at Broombriggs Farm and assisting in meeting Local Nature Recovery Strategy outcomes.	✓	✓	✓
Foster new working relationships with other public bodies and private sector partners including agricultural colleges to lever in investment, external funding and expertise essential to the delivery of strategic outcomes	✓	✓	✓

4.2 Opportunities and Challenges

In defining the strategic ambitions and objectives necessary to deliver the vision, it is essential to have an understanding of the challenges the estate faces both now and in the years ahead.

The following table illustrates the broad range of factors that have been considered in shaping the rural estate's future strategy.

Opportunities

- Leverage the Council's position as landowner to influence strategic outcomes and partnerships.
- Restructure estate clusters to create more sustainable, viable farm units.
- Improve buildings and fixed equipment to boost rental growth and reletting potential.
- Fund farm improvements through disposal of surplus assets.
- Realise development potential of land near population centres.
- Generate income from biodiversity credits and other environmental schemes.
- Modernise tenancy agreements to enable strategic objectives and flexibility.
- Support diversification, niche farming, and educational or rural enterprise uses.
- Promote young entrants through incentives and clear performance measures.
- Apply risk evaluation techniques for new ventures to ensure viability.
- Acquire additional holdings during market downturns to meet future aspirations.
- Build partnerships to access grants and external funding.

Challenges

- Embedding recognition that estate value includes strategic influence, not just financial returns.
- Helping tenants maintain profitable, resilient businesses amid market volatility.
- Managing high compliance and maintenance costs without eroding income.
- Securing capital for ongoing improvements.
- Balancing environmental land management changes with income stability.
- Overcoming constraints of long-term tenancies and associated liabilities.
- Maintaining strong landlord–tenant relationships and Council reputation.
- Encouraging tenant engagement with environmental and technological improvements.
- Navigating increasing regulatory requirements and procurement limitations.
- Addressing potential reluctance of tenants to invest in holdings despite long-term benefits.
- Managing sensitivities around property disposals.
- Balance conflicting priorities e.g. development of Local Plans

5 Strategic Context

In shaping the future vision for the estate and setting a realistic and deliverable set of key ambitions and objectives, it is necessary to gain an appreciation of the external factors that will influence the emerging strategy. These fall into three main categories:

- Legislation and Government Regulation
- Existing Council Strategies and Initiatives
- Planning Policy

5.1 Legislation and Government Regulation

The management of the rural estate is subject to a number of key areas of legislation and regulation. Each, to a greater or lesser extent, have a bearing on estate strategy going forward. Whilst a number regulate the way tenancies and day-to-day management is conducted, the Agriculture Act 2020 and the Environment Act 2021 will be central to driving forward the achievement of improvements across the estate.

The table below provides an outline of the impact the relevant Acts do or potentially could have on and the management of the estate.

The Agriculture Act 1970	Provides the powers to hold and manage the County Farms that make up the Rural Estate.
Agricultural Holdings Act 1986	Provide the framework for the grant, management and termination of agricultural tenancies
Agricultural Tenancies Act 1995	
Climate Change Act 2008	Under the provisions of Section 2 the Climate Change Act 2008 (2050 Target Amendment) Order 2019 set the current national Net Zero target and requires the UK to bring all greenhouse gas emissions to net zero by 2050. It also introduced provisions relating to carbon budgeting and established carbon trading schemes for the purpose of limiting greenhouse gas emissions or encouraging activities that reduce such emissions or remove greenhouse gas from the atmosphere
Health and Safety at Work etc Act 1974	<p>The Health and Safety at Work Act is a comprehensive piece of legislation which influence the activities of both landlord and tenant in the management of farms. Its key points broadly relate to the following six areas:</p> <ul style="list-style-type: none"> • Provide a safe place of work. • Provide safe equipment. • Ensure staff are properly trained. • Carry out risk assessments. • Provide proper facilities. • Appoint a competent person to oversee health and safety
Agriculture Act 2020	<p>The Agriculture Act 2020 represents the first major reform of agricultural policy since the Agriculture Act 1947 which introduced guaranteed prices and assured markets.</p> <p>The 2020 Act provided for the phasing out of direct payment subsidies under the Basic Payment Scheme whereby farmers received an annual area-based payment over a seven year transition period commencing from 2021; the loss of which will have a detrimental impact on the profitability of many rural businesses. However, it provides for a system of more environmentally focussed support through the Environmental Land Management Scheme comprising the Sustainable Farming Incentive and the Farming Investment Fund detail of which are set out at https://www.gov.uk/guidance/funding-for-farmers. Further, the Act sets out provisions to improve transparency and fairness in the agri-food</p>

	supply chain, makes changes to agricultural tenancies and places a duty on the Secretary of State to report to Parliament on food security every three years. It should be noted that the gradual reduction in area payments outlined in the original transition period was significantly changed in 2024 with payments being “de-linked” from land and the level of payments reduced by 76% to a cap of £7,200 per farm in order to realign the overall transitional budget towards environmental schemes.
Environment Act 2021	<p>The Environment Act 2021 is the key piece of environmental legislation. The Act comprises two thematic halves. The first provides a legal framework for environmental governance whereby the Government must prepare a 15 year environmental improvement plan with the impartial Office of Environmental Protection to monitor progress towards achieving targets and ensure accountability. Further, the Secretary of State must set environmental targets in relation to air quality, water, biodiversity, resource efficiency and waste reduction and species abundance.</p> <p>The second makes provision for specific improvement of the environment, including measures on waste and resource efficiency, air quality and environmental recall, water, nature and biodiversity, and conservation covenants.</p> <p>In relation to biodiversity the Act strengthens the duty on public bodies to protect and enhance biodiversity, introduces the mandatory requirement for development to deliver 10% biodiversity net gain and the preparation and publication of Local Nature Recovery Strategies as well as introducing the concept of Conservation Covenants.</p>
Agriculture (Model Clauses for Fixed Equipment) (England) Regulations 2015	Sets down the liabilities of the parties in respect of repairs and maintenance of the fixed equipment and land that make up the holding. This is the statutory default in respect of all tenancies which do not include an express provision for full repairing obligations.
Agricultural Landlord-Tenant Code of Practice for England 2024	Provides guidance on achieving best practice in the management of the landlord/tenant relationship and supports the preparation of a joint management plan to support decision making over the period of the tenancy.

Whilst, the above represent the key pieces of legislation and guidance relevant to the development of this report it is noted that farming and rural land management is one of the most heavily regulated sectors within the UK economy being subject to a raft of regulations covering every area of potential activity including the keeping of livestock, the application of manure and fertilizers, the use of pest control products and the management of trees and woodland plus many more. A full list can be found at <https://www.gov.uk/guidance/rules-for-farmers-and-land-managers#protect-the-environment-if-you-keep-livestock>. There is therefore a need, in the future management of the estate, to be mindful of those regulations that have a direct bearing on the farming activities of each individual tenant and the holding they farm.

5.2 Council Strategies and Initiatives

Central to developing the vision and key ambitions that flow from it is the need for the estate to align with and maximise its potential contribution to the wider corporate aims and objectives of the Council. The figure below illustrates the major areas of Council policy where it is seen that the rural estate can have an impact on the achievement of positive outcomes.

Strategic Plan 2022-26 (Due to be updated)	The Strategic Plan is the main driver to the achievement of the Council's key aims and objectives.
Medium Term Financial Strategy 2025-29	Sets out the budget for the Council over the next four years and determines the level of resources available to support each service including the further development of IILP direct property portfolio including the rural estate.
Corporate Asset Management Plan 2022-26	Aligned with the Strategic Plan the CAMP provides the framework for the management of the Council's property assets, including those within the IILP portfolio - regularly reviewing the future management strategy of each in addition to setting and monitoring performance targets.
Investing in Leicestershire Programme Strategy 2025-29	In addition to contributing to the achievement of the Council's strategic outcomes the strategy supports the channelling of new investment into schemes that: <ul style="list-style-type: none"> • Maximise the potential to address economic and social market failure • Improve property assets for a direct strategic/policy purpose • Enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery
Environment Strategy 2018-30	Sets out the Council's vision, aims, objectives and targets for how it will meet its legal and statutory obligations and responsibilities in relation to the environment, how it will minimise its impact on the environment and the impact of the environment on the council, as well as how it will fulfil its leadership role to minimise the environmental impacts, improve the health and wellbeing of people and contribute to the sustainable economic development of the county
Tree Management Strategy 2020-25	Provides a framework to establish a healthy, balanced and sustainable tree population, resilient to climate change, reduce risk from hazardous trees, set standards of tree management and raise public awareness of the value of trees in the environment. Allied to the strategy and the wider Environment Strategy is the commitment to plant 700,000 trees over the ten-year period from 2022.
Leicestershire, Leicester and Rutland Local Nature Recovery Strategy	The Local Nature Recovery Strategy has been developed with the aim of protecting nature and allowing it to recover by preserving and improving habitats and biodiversity. The strategy sets out practical actions to boost the area's wildlife and natural spaces. The main points of the strategy include examining how habitat loss, shrinking species populations and the effects of climate change can be tackled, the priority habitats and species that need urgent attention, the action needed to build a healthier, more connected natural environment and the creation of space for nature to flourish whilst supporting local people and their livelihoods.

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5.3 Planning

Given its location at the heart of England's strategic transport network, Leicestershire is recognised as an area of economic growth attractive to major employers. With this comes a demand for quality and affordable housing to support a growing population. In considering a future strategy for the rural estate it is vital that development potential is protected in order to maximise the potential financial benefits of retaining the estate. At the same time through compliance with planning policy at both a local and national level other wider environmental and community benefits will be achieved. As part of any restructuring process an analysis of the planning opportunities and constraints would need to be undertaken on the basis of the following areas of planning policy.

5.3.1 National Planning Policy

At a national level the Town and Country Planning Act 1990 and the National Planning Policy Framework 2024 (and associated Planning Practice Guidance Notes) are the two most influential areas of regulation and guidance.

The Town and Country Planning Act 1990 provides the basic structure for the planning system as we know it today.

The National Planning Policy Framework 2024 provides the planning guidance necessary for local planning authorities to make sound local plans and informed planning decisions.

5.3.2 District and Borough Local Plans

As Leicestershire has a two-tier local government structure, planning is largely devolved to the seven District and Borough Councils which make up the county; the County Council only being responsible for planning in respect of minerals and waste.

The seven councils work collaboratively with the City and County Councils on strategically important initiatives such as the Strategic Growth Plan and the Housing and Employment Needs Assessment. Whilst these are used to inform planning policy across the county each Local Planning Authority has its own Local Plan tailored to the needs of its district or borough.

With the need to comply with the requirements of the National Planning Policy Framework typically all existing and emerging local plans contain the following elements:

- **Development Strategy** including the assessment of overall housing and employment land needs and the proposed allocation of sites necessary to meet that requirement.
- **Spatial Strategy** which determines the settlement hierarchy to inform the distribution of future housing and employment needs across the local authority area. Where strategic development areas are proposed individual site-specific policies may also be included.
- **Housing outlining policies** relating to housing mix, design, self-build housing, affordable housing including rural exception sites, and housing that meet the needs of older people, people with disabilities and gypsies, travellers and travelling show people.
- **Employment with policies** relating to current economic need, protection of existing employment areas, tourism and importantly rural economic development.

- **Town Centres and Retail.**
- **Climate Change** including flood risk management, sustainable drainage, renewable and low carbon energy installations, sustainable transport and EV charging points.
- **Environment** with policies relating to landscape including areas of significance such as Charnwood Forest, green wedges and areas of separation, biodiversity and geodiversity, tree planting, heritage, sports and recreation, public access and air quality.
- **Transport** considering both the strategic and local networks.
- **Infrastructure and Community Facilities** relating to education, health and other public services together with the Section 106 Contributions Policy to support delivery.

All these relevant factors are considered in assessing the planning potential of each individual site.

5.3.4 Leicestershire Minerals and Waste Local Plan

The County Council is the relevant planning authority for minerals and waste, with responsibility for the preparation of the Minerals and Waste Local Plan and the determination of allied planning applications. In common with all local plans, it considers the needs of the market to ensure an adequate supply of minerals over the plan period, allocating appropriate additional sites required to fulfil that need and safeguarding known deposits for the future; the plan being a relevant consideration in the determination of applications by the District and Borough authorities for other forms of development.

5.3.4 Neighbourhood Plans

Introduced by the Localism Act 2011, Neighbourhood Planning gives local communities the ability, within the overarching Local Plan strategy, to determine the detailed planning strategy and Neighbourhood Plan for the area. Including such matters as the allocation of future development, and the designation of protected areas of open space.

Once adopted the Neighbourhood Plan forms an integral part of the planning policy, to which applications have to conform. Accordingly, Neighbourhood Plans have a significant influence in the consideration of a site's development potential. Currently, there are 14 neighbourhood plans within Leicestershire that cover land within the rural estate.

5. Stakeholder Engagement

The long history of providing Council farms at both a national and local level has created a significant legacy of financial and social benefits, which is recognised at all levels of government and across a wide range of public groups (both directly linked to agriculture and the wider national interest). Consequently, there are a number of groups who have a direct interest in the future direction of the Council's estates.

Consultees on the Council's Farms Strategy include:

- Current and Prospective Council Farm Tenants
- Rural communities in Leicestershire where farms on the Council's Farms Estate are located
- Leicestershire County Council Members
- Officers of Leicestershire County Council
- Organisations within or allied to the agricultural industry

6. Delivery and Implementation

The Rural Estate will be retained and maintained at its current size with the estate providing a range of nursery/starter and progression holdings enabling people to enter the farming industry and build a sustainable and resilient rural business.

The estate will be restructured to maximise its potential to deliver the strategic ambitions. An evidence based '**Management Plan**' will be prepared at Estate and Core Holding level and used to identify the following:

- Those holdings which deliver a market return and can support a sustainable farm enterprise in the future, should be retained.
- Those holdings which, subject to the availability of additional investment or land, have the potential to deliver a market return and could support a sustainable farm enterprise in the future, should be retained.
- Those holdings and areas of land which possess latent development or BNG potential should be retained with a view to realising the potential to support the capital programme and managed in a manner that maximises their income earning potential in the intervening period.
- Areas of land within the estate capable of supporting the Council's strategic objectives or future service delivery should be identified and retained and managed in a manner that maximises that potential. In particular, projects that provide economic or social benefits to local communities should, subject to a positive business case be progressed and brought forward for implementation.
- Subject to no overriding estate management reason to the contrary, uneconomic and unviable holdings should be sold, retaining any land that is capable of improving the viability of an adjoining farm and amalgamating it with that holding.

To ensure the portfolio is self-financing and meets or exceeds the market rate of return in the medium term, a rolling 5-year **Financial Strategy** for the estate will be produced annually in consultation with Finance colleagues, to present:

- A 5-year disposals and acquisition programme which will be key to maintaining the critical size of the estate with acquisitions focused on only purchasing properties capable of supporting a sustainable farming business or improving the viability of an existing core holding, securing long term income and capital growth whilst delivering ongoing community benefits
- a 5-year Capital Investment Programme detailing the on-farm investments necessary to maintain the performance of individual holdings.
- a Revenue Budget detailing income, expenditure and the anticipated annual income return.

The Financial Strategy should take advantage of the opportunities available from varying market sector conditions, in order to maintain and maximise the overall financial performance of the estate

The Management Strategy will be supported by a suite of key performance indicators that meet both current CIPFA requirements, provide a detailed market comparison and include local indicators to monitor progress in achieving strategic outcomes; the results being reported annually.

The estate will be proactively managed to high professional standards both at a strategic and operational level by a well-resourced in-house team and out-sourced support, supported by appropriate legal, financial and consultancy advice.

A risk register should be maintained at both portfolio and core holdings level and reviewed annually.

The Rural Estate strategy will be reviewed at no greater than 5-yearly intervals and refocused to reflect changes in the Council's wider policy agenda and deliver appropriate benefits.

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Glossary

Agricultural Holdings Act 1986	Tenancies prior to 1st September 1995 are governed by the Agricultural Holdings Act 1986 (often referred to as AHA tenancies or '86 Act tenancies). More prescriptive than the '95 Act, AHA tenancies have a statutory default position for length and security of tenure, rent review process, treatment of improvements, repairs and arbitration for disputes.
Agricultural Tenancies Act 1995	This act sets out the statutory basis for the Farm Business Tenancy. The '95 Act is much less rigid in setting out the parameters of the FBT, allowing a significant flexibility for the parties to determine the contents of the tenancy contract between them and only providing a statutory backstop for security of tenure, dispute resolution and initiation of the agreement.
Bare land	This is a land holding of any scale without buildings provided by the landlord. This can be pasture or arable land.
Estate	There are 37 estates located across the county which comprise several farms or other lettable units and may also include vacant or in-hand land. The estate may not comprise contiguous land holdings but are usually defined by the parish they are situated within.
Farm Business Tenancy	Governed by the Agricultural Tenancies Act 1995, all tenancies (in the context of County Farms) established since 1st September 1995 are Farm Business Tenancies. There is relative freedom of contract, enabling adaptation of terms to suit the circumstances.
Fixed Equipment	Fixed equipment includes such items as milking parlours, feeding systems, slurry storage and containment, rather than plant and machinery (such as tractors).
Farmstead	This is the area of farm buildings, associated yards, etc. which may or may not include any farmhouses or cottages connected with the farm.
In hand	Refers to land holdings which are held by the County Council and not available to rent, for example woodland areas, access roads, non-farmable areas, etc. rather than Vacant property (see below).
Main Holding	These are the farms which are considered to be core property of the relevant land holding on which they are situated, mostly fully equipped with house, buildings and sufficient land to operate an independent farming business from.
Non-dairy livestock farm	Farm holdings which do not have a milking parlour and/or sufficient slurry storage to operate a compliant dairy enterprise and therefore are used for a mixture of arable, beef, sheep, poultry, etc.
Small "retirement" holdings/Other equipped farm	The Council has a small number of farms with house and/or buildings and small areas of land which do not fall into the above categories, which have limited capacity for establishment of an independent farming business but are retained for estate management purposes, offering a base for a part time farming business or other rural enterprise.
Promotion dairy farm	Usually, a larger farm with capacity for a larger milking herd, including larger (or more efficient) milking parlour, larger slurry storage capacity, forage storage, etc.

	In the past, these farms have not generally been offered to tenants from outside the Council estate to facilitate a degree of progression through the estate.
SMART objectives	These are specific, measurable, achievable, relevant, and time-bound goals.
Starter dairy farm	Generally smaller farms with limited fixed equipment in the form of milking parlour capacity and/or slurry storage. The intention is that a new farming business can establish a dairy enterprise with a smaller amount of initial investment before growing their business to a scale to be able to move to a promotion dairy farm.
Resilience and Sustainability	This is the ability of a farm holding to support the establishment of a farming business which can meet all its financial and regulatory obligations, by generating sufficient surplus income after costs to enable structured investment in equipment, livestock and compliance for the duration of the tenancy agreement. A resilient and sustainable holding should therefore be adaptable to alternative uses, require reduced levels of maintenance and capital investment and be prepared for future stresses in the agricultural economy. A farming business will be adaptable to changes, able to withstand future challenges and financially robust over time without continuous need for expansion, debt financing, etc.
Vacant	Refers to land holdings which are unoccupied but ordinarily would be available to rent; this may be a vacant farmstead or vacant land for which no rent (or other fees) is being received.
Viable	Similar to “sustainable”, however viable is considered to be the ability of a farming business to meet all its financial obligations, including a level of reinvestment. Often viability is defined as a factor of scale, with larger farming businesses better able to spread their costs over a larger base; it does not usually consider how different farmers may be able to utilise the assets available to better ends, or how the business may adapt to future challenges, adding value or enhancing margins. A viable business is not necessarily adaptable and may be reliant on debt financing (providing it is able to meet its obligations).

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