

**CABINET - 16 DECEMBER 2025****INVESTING IN LEICESTERSHIRE PROGRAMME**
RURAL ESTATE STRATEGY 2025-2035**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****PART A****Purpose of the Report**

1. The purpose of this report is to seek approval to commence consultation on the Council's draft Investing in Leicestershire Programme Rural Estate Strategy 2025-2035 (draft Rural Estate Strategy). The report provides an outline of the draft Strategy and the planned approach to the proposed consultation with stakeholders. The draft Strategy is appended to this report.

Recommendations

2. It is recommended that the draft Rural Estate Strategy be approved for consultation.

(KEY DECISION)

Reasons for Recommendations

3. It is a legal requirement for public bodies such as local authorities to consult residents, service users, stakeholders and staff on key strategies which might affect them.
4. Consultation will strengthen the Rural Estate Strategy by enabling stakeholders to contribute to the emerging strategy and ensure that a diverse range of views and ideas are incorporated, thereby reinforcing support for its implementation.

Timetable for Decisions (including Scrutiny)

5. Subject to the Cabinet's approval it is intended that the consultation exercise will take place from 5 January to 13 February 2025.
6. The Scrutiny Commission will receive a report on the draft Strategy and consultation feedback at its meeting in March 2026.
7. The Investing in Leicestershire Programme Board (a Cabinet working party) will consider an updated draft version of the Strategy in March 2026.
8. The Cabinet will receive a further report at its meeting on 28 April 2026 regarding feedback from the consultation exercise and presenting the final Strategy for approval.

Policy Framework and Previous Decisions

9. The Corporate Asset Management Plan 2022 – 26, approved by the Cabinet in September 2022, is aligned with the Council's Strategic Plan and promotes the management of the Council's property assets, including the rural estate, in a way that contributes to the achievement of the five strategic outcomes.
10. The Investing in Leicestershire Programme (liLP) Strategy 2025-29, which was approved by the Council in February 2025 as part of the Medium-Term Financial Strategy (MTFS) 2025-29, made a commitment to reviewing the management strategy of the Rural Estate in 2025/26.
11. The Cabinet at its meeting on 18 March 2025 considered a report setting out the management of the County Council's rural estate and its benefits for residents of Leicestershire and agreed a response to Hinckley and Bosworth Borough Council regarding a Notice of Motion agreed by that Borough Council on the subject of County Farms.

Resource Implications

12. The consultation exercise will be managed through existing resources.
13. As at the end of 2024/25, the Council's rural estate was valued at £95.9m.
14. Rental income growth has increased from £835,876 to £1,074,597 over the last 10 years. Growth has been achieved through rent reviews, structural improvements and new farm lettings.
15. With an estate this size there are considerable maintenance and repair requirements with a Planned Preventative Maintenance (PPM) programme over 15 years estimated to cost in the region of £20.7m. Spend of £432,000 has been identified as being urgent within the next 12 months. Compliancy costs at a similar level will also be required. Meanwhile, capital investment has been modest with £250,000 allocated for 2024/25 and £450,000 for 2025/26.
16. £25.9m of capital receipts has been generated over the past 10 years from the sale of development land and surplus farmsteads, plus uplifts in value from development potential.
17. The estate will need to continue generating receipts to fund improvements and maintain market level rents.
18. The draft Strategy sets out proposals for managing the rural estate, including supplementing staff resources with specialist legal and consultancy advice, supported by appropriate information and financial systems to ensure effective and efficient portfolio management. With increasing regulation and changes in Government farming support, maintaining the right balance between in-house and external expertise will be critical. The former will focus on aspects such as on landlord responsibilities, strengthening tenant relationships, promoting the estate and farming, setting strategic direction, monitoring delivery, and leading special projects such as the nursery farm concept.

19. The Director of Law and Governance has been consulted on this report.

Circulation under the Local Issues Alert Procedure

20. None.

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PART B

Background

21. The Council has owned and managed its rural estate for many years. It now forms part of the liLP direct property portfolio, contributing to the social, economic, and financial objectives of the Council, indirectly supporting service delivery, as well as promoting and supporting farming in Leicestershire.
22. The estate is held under the Agriculture Act 1970 and the approach to date has focused on the delivery of outcomes that addresses areas of economic and social market failure, such as the lack of opportunities for people to start farming on their own account.
23. The farms and other land holdings have been let in accordance with the legislation in place at the date of letting. Over time, the proportion of Agricultural Holdings Act lettings with Lifetime and Retirement tenancies attached has reduced and this trend will continue until all lettings on the Estate are Farm Business Tenancies on fully repairing and insuring terms.

Estate Overview

24. The Council owns the freehold of the entire estate which extends to 7,359 acres and has a current asset value of £95.9m which represents 41%, by value, of the direct property assets within the liLP portfolio.
25. The estate comprises 6,996 acres of farmland made up of 65 main farms, including one bare land holding (i.e. without buildings), together with 45 partially equipped, secondary bare land holdings and areas of allotments, together with 275 acres of woodland or land of high ecological value.
26. The estate has a record of delivering financial returns above those achieved in the wider agricultural investment market. The overall returns for the estate over the past 1, 3 and 5 years have averaged 8.2%, 7.9% and 12.3% respectively which, based on market information published by leading national land agency practices, is well above the 1.8%, 5.3% and 3.7% achieved by the market.
27. The level of performance is reflected in the fact that the estate has produced £25.9m in capital receipts, with rental income growing by 28.6% to £1.07m per annum over the past 10 years.
28. 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, Lutterworth.

The Draft Rural Estate Strategy 2025 - 2035

29. The draft Rural Estate Strategy provides an overview of the estate and considers the future vision, key ambitions and its objectives for the next 10 years, set out below.

Vision

30. The stated vision in the draft Strategy is “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 financial benefits”.
31. It is acknowledged that there will be both opportunities and challenges in realising this vision, summarised in the table below.

Opportunities	Challenges
Leverage landownership to drive strategic outcomes and build partnerships by restructuring estate clusters, including the unlocking of development potential.	Recognising estate value beyond financial returns, including strategic influence and be prepared to support tenants’ profitability during market volatility.
Upgrade buildings / equipment; boost rental growth and reletting potential.	Managing compliance and maintenance costs without reducing income.
Fund improvements by disposal of surplus assets.	Securing capital for improvements. Managing sensitivities around property disposals.
Generate income via biodiversity credits and environmental schemes.	Balancing environmental land management with income stability.
Modernise tenancy agreements for flexibility and alignment with objectives.	Overcoming constraints of long-term tenancies and liabilities.
Support diversification in farming through education and rural enterprises.	Maintaining strong landlord–tenant relationships and the Council’s reputation.
Encourage young entrants with incentives and performance measures whilst managing risk.	Encouraging tenant engagement with environmental and technological upgrades. Navigating regulatory requirements and procurement limitations.
Acquire holdings during market downturns for future goals.	Addressing tenant reluctance to invest despite long-term benefits.
Build partnerships to access grants and external funding.	Balancing conflicting priorities, such as Local Plan development.

Ambitions

32. The Council will seek
- 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.
33. Through the adoption of these strategic ambitions and the associated objectives and action points, it is considered that the estate can contribute towards the delivery of multiple economic, environmental and social benefits.

Development of the Strategy

34. In developing the draft Strategy, detailed consideration has been given to legislation and government regulation, existing Council strategies and initiatives and Planning Policy.

Proposals

35. It is proposed that the Rural Estate should be retained and maintained at its current level of investment providing a range of nursery/starter and progression holdings enabling people to enter the farming industry and build a sustainable rural business.
36. It is considered that the Estate should be restructured to maximise its potential to achieve strategic ambitions. An evidence-based Management Plan should be prepared at Estate and Core Holding level and used to identify: -
- 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 Biodiversity Net Gain 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. 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 can improve the viability of an adjoining farm and amalgamating it with that holding.

37. The Council will ensure that 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 should be produced annually, to present to officers and the Scrutiny Commission.
 - A 5-year Disposals and Acquisition Programme.
 - A 5-year Capital Investment Programme detailing the on-farm investments necessary to maintain the performance of individual holdings and fund improvements required to ensure all properties meet regulatory compliance standards.
 - A Revenue Budget detailing income, expenditure and the anticipated annual income return.
38. The Financial Strategy should seek to deliver market returns from farm tenancies and continue to develop opportunities to secure capital receipts to ensure that the estate contributes to the Council's financial sustainability.
39. The management strategy for the Rural Estate should be supported by a suite of key performance indicators that continue to meet current CIPFA requirements, provide a detailed market comparison, and include local indicators to monitor progress in achieving environmental improvements and strategic outcomes; the results being reported annually.
40. The Rural Estate Strategy should be reviewed at 5-yearly intervals and refocused to reflect changes in the Council's wider policy agenda and deliver appropriate benefits.

Consultation

41. It is proposed to engage and consult on the draft strategy with a combination of questionnaires, online and in person meeting options with the following groups of stakeholders:
 - Farm tenants.
 - Farming industry stakeholders including National Farmers' Union, Tenant Farmers' Association, Country Land and Business Association, National Federation of Young Farmers' Clubs, Midland Counties Agricultural Valuers' Association, ACES Rural, Environment Agency, Farming and Countryside Education Services.
 - Elected Members.
 - Other County Council service departments.
42. For farm tenants it is proposed that initially all tenants will be invited to complete an online questionnaire which would include the option of being invited to a later in-person meeting.

43. The stakeholder packs will be drafted shortly, and it is proposed that the engagement will focus on the following questions:

- Do you agree with the vision and ambitions set out in the draft Rural Estate Strategy?
- What size of estate should be retained?
- Is the estate seen as having a recognisable strategic purpose?
- Do you agree with the vision and ambitions set out in the draft Rural Strategy?
- What initiatives would you be in favour of the estate pursuing in the future and which should it avoid?
- What do you think the estate should prioritise in its continued management? For example, this could include financial returns, level of investment and support for farmers, ecological and/or environmental improvements.
- Are there any opportunities or challenges you feel the strategy should address?
- How can the Council best support tenants, rural businesses, and communities through its estate management?

Equality Implications

44. Whilst no equality implications directly arising from this report have been identified, the necessary impact assessments together with a Health Impact Assessment have been drafted and will be finalised in advance of the Strategy being brought forward for adoption.

Human Rights Implications

45. There are no human rights implications directly arising from this report.

Environmental Implications

46. The Rural Estate Strategy seeks to encourage environmental improvement across the portfolio. Aligned with the wider IILP Strategy in relation to the acquisition, development and management of the Fund's property assets by incorporating measures that ensure that the estate makes a positive contribution to the achievement of the Strategic Plan's Clean and Green Strategic Outcome.

Background Papers

Report to the Cabinet on 23 September 2022 "Corporate Asset Management Plan 2022-2026"

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6776>

Leicestershire County Council Strategic Plan

<https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan>

Report to Council on 19 February 2025 "Medium-Term Financial Strategy 2025/26-2028/2029" (including Appendix H, Investing in Leicestershire Programme Strategy 2025-29)

<https://democracy.leics.gov.uk/mgAi.aspx?ID=84200#mgDocuments>

Report to the Cabinet on 18 March 2025 "Management of the County Council's Rural Estate"

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7874>

Appendix

Draft Rural Estate Strategy 2025-2035

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