



*Meeting:* **Scrutiny Commission**

*Date/Time:* **Monday, 8 September 2025 at 10.00 am**

*Location:* **Sparkenhoe Committee Room, County Hall, Glenfield**

*Contact:* **Mrs J Twomey (Tel: 0116 305 2583)**

*Email:* **joanne.twomey@leics.gov.uk**

### **Membership**

Mrs D. Taylor CC(Chairman)

|                   |                       |
|-------------------|-----------------------|
| Dr. J. Bloxham CC | Mrs K. Knight CC      |
| Mr. M. Bools CC   | Mr. M. T. Mullaney CC |
| Mrs. L. Danks CC  | Mr. O. O'Shea JP CC   |
| Dr. S. Hill CC    | Mr. B. Piper CC       |
| Mr. A. Innes CC   | Mr J. Poland CC       |
| Mr. P. King CC    | Mr. K. Robinson CC    |

**Please note: this meeting will be filmed for live or subsequent broadcast via the Council's web site at <http://www.leicestershire.gov.uk>**

### **AGENDA**

| <u>Item</u>                                                                                               | <u>Report by</u> |
|-----------------------------------------------------------------------------------------------------------|------------------|
| 1. Minutes of the Special Meeting held on 24 June 2025.                                                   | (Pages 3 - 10)   |
| 2. Question Time.                                                                                         |                  |
| 3. Questions asked by members under Standing Order 7(3) and 7(5).                                         |                  |
| 4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda. |                  |
| 5. Declarations of interest in respect of items on the agenda.                                            |                  |



6. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.
7. Presentation of Petitions under Standing Order 36.
8. Medium Term Financial Strategy - Budget Monitoring and Strategy Update      Director of Corporate Resources      (Pages 11 - 12)
9. Corporate Asset Management Plan 2022 - 2026 - Annual Performance and Strategy update 2024/25      Director of Corporate Resources      (Pages 13 - 54)
10. Investing in Leicestershire Programme Annual Performance Update 2024/25      Director of Corporate Resources      (Pages 55 - 94)
11. East Midlands Shared Service Annual Performance Update 2024/25      Director of Corporate Resources      (Pages 95 - 110)
12. Corporate Complaints and Compliments 2024/25      Director of Corporate Resources      (Pages 111 - 142)
13. Date of next meeting.

The next meeting of the Commission is scheduled to take place on Monday, 10 November 2025.

14. Any other items which the Chairman has decided to take as urgent.



Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Tuesday, 24 June 2025.

PRESENT

Mrs D. Taylor CC (in the Chair)

Dr. J. Bloxham CC  
Mrs. L. Danks CC  
Dr. S. Hill CC  
Mr. A. Innes CC  
Mr. P. King CC  
Mrs. K. Knight CC

Mr. P. Morris CC  
Mr. M. T. Mullaney CC  
Mr. B. Piper CC  
Mr J. Poland CC  
Mr. C. A. Smith CC

13. Minutes.

The minutes of the meeting held on 9 June 2025 were taken as read, confirmed and signed.

14. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

15. Declarations of the Party Whip in accordance with Overview and Scrutiny Procedure Rule 16.

There were no declarations of the party whip.

16. Protocol for Flying Flags at County Hall - Call-in of the Cabinet Decision.

The Commission considered the Call-in of the Cabinet decision taken on 12 June 2025 regarding the Protocol for Flying Flags at County Hall. A copy of the Call-in Notice, Cabinet decision, Cabinet report on the Protocol for Flying Flags at County Hall, together with the comments submitted to the Cabinet, marked 'Agenda Item 4', is filed with these minutes.

In her opening remarks, the Chairman stated that the purpose of the meeting was to consider whether the reasons set out in the Call-in Notice were sufficient to ask the Cabinet to reconsider its decision taken on 12 June 2025.

The Chairman asked the Head of Law and the Council's Statutory Scrutiny Officer to outline her advice note which had been circulated to all members of the Scrutiny Commission in advance of the meeting and which set out the legal framework for the Call-in and the next steps available. A copy of the advice note is filed with these minutes.

The Chairman and Vice Chairman reiterated their reasons for calling-in the Cabinet decision as set out in the Call-in Notice.

The Chairman then invited Victoria Vernon, Co-Chair of the Disabled Workers Group, to speak on behalf of the Council's Disabled Workers Group, and the LGBTQ+ and BAME Network Chairs and Core Group Members. Ms Vernon made the following representation:

"I'd like to start by saying thank you to the members in this room for giving the Staff Networks an opportunity to speak in this meeting. The decision on the Council's flag protocol is something that continues to impact our members and the Council's workforce; between the statement at Tuesday 12 June's Cabinet meeting, and now, here, we are thankful that our staff's voices can be heard.

I want to start by addressing a few perspectives that have since emerged, and by doing so hopefully re-emphasise our position in this discussion and find common ground.

We emphasise community, communication and support in the occasions we would like to mark through our flags and would hope the Council would agree with this position. Our concern about which flags are being flown in the new protocol does not put us in opposition to the Armed Forces Day, Commonwealth Day and Armistice Day flags. In fact, as with any group, we have armed forces personnel in our communities. None of us are separate from each other.

We believe that the flags that represent our staff networks also come under the British values, under respect and tolerance. There are LGBTQ+ people here in the County; disabled people; people of colour. We are all equally proud to be here in Leicestershire too. Please consider the message that has been sent to the Leicestershire people in these groups, by underlining that the new protocol represents British values, and what it means when other flags are not being flown.

Those of us who have a protected characteristic are unfortunately well aware that the law is not always on our side. Laws are hard-earned but can be repealed. But this also does not address the fact that, even though we now have laws designed to protect us, conflict in the workplace still occurs.

According to the CIPD Good Work Index 2022, around one in five workers reporting a disability (17%) encountered conflict in the last 12 months compared with nearer one in twenty (6%) of those reporting no disability. More than double the proportion of gay, lesbian or bisexual workers reported incidence of conflict (15%) compared with heterosexual workers (7%). Meanwhile, one in eight (12%) non-white workers reported incidence of conflict compared with only 7% of white workers. Conflict increases work-related stress, burnout, and reduced productivity. But an environment of trust and understanding, where action is taken and support is visible, reduces the likelihood of these incidents. This is why we welcome the Leader's offer to meet with us separately and urge all members to consider the impact of the workforce culture on staff. With these points underlined, we now encourage members of all parties to consider the following as the discussions continue.

Our first request is for clarification on the efficiency of the new protocol. Considering the flags will now not be used unless agreed by the Leader - for example, the Disability Pride Month flag which has not long been acquired – would this be considered a wasted

resource? Could the cost of maintaining the previous protocol be made available?

Secondly, the Public Sector Equality Duty requires “decision-makers to understand and take account of the consequences of their choices, having due regard to the aim of eliminating conduct prohibited by the Act, advancing equality of opportunity and fostering good relations”. One of the Nolan principles, under which all members are bound, is openness: “Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.” Could it please be addressed how, without prior consultation, the recent change to the protocol satisfied both of these requirements, and how the administration will communicate with staff and the public for future decisions like these?

Thirdly, we know anecdotally that staff joined the Council previously because of its welcoming culture; unfortunately, we believe that the taking away of flags threatens to put future candidates off joining the council. Furthermore, as Gen Z fully enter the workforce, the scrutiny of an organisation’s values increases. I use the example of LGBTQ+ Gen Z employees here – a 2024 survey from myGwork and HigherEd showed that three-quarters of LGBTQ+ jobseekers said they would hesitate to join organisations where they felt they couldn’t be their true selves, fearing discrimination, bias, and limited career development opportunities. What is being done to maintain a welcoming culture for future employees?

Finally, I would like to reiterate our request for an open dialogue with the administration. We are happy to meet with the Leader and the Cabinet to discuss further, but especially as things develop, there are more opportunities for us to learn from each other. We want to work with members and the administration to offer the best support for staff here at the Council. If you are willing to listen, we are willing to share.

Thank you again for your time.”

The Chairman thanked Victoria Vernon for attending and speaking at the meeting.

The Chairman drew the Committee’s attention to comments received from the County Council regarding members’ role as a Corporate Parent, from County Council Social Workers and comments received from members of the public. Copies had been circulated to all members and the Chairman advised that the meeting would be adjourned for a short period to allow members the opportunity to read these. Copies of the comments received are filed with these minutes.

*[The meeting was adjourned at 14.17 and reconvened at 14.22.]*

The Chairman welcomed the Leader, Mr Harrison, and the Lead Member for Adults and Communities, Mr Boam, who had been invited to attend the meeting for this item. It was noted that the Lead Member for Children and Family Services had also been invited as the Council’s Lead Corporate Parent but that he had been unable to attend.

At the invitation of the Chairman, Mr Boam stated that the removal of flags did not mean exclusion, commenting that the Union flag was the most inclusive of flags and represented everyone in the country and the county regardless of their sexuality, gender or race, and that this was why, therefore, the Cabinet had chosen to fly the Union flag as a priority.

The Leader further commented that the new Protocol had been simplified and removed confusion by reducing the number of flags that would be flown. It allowed recognition of national and local identity, providing an opportunity to celebrate heritage, culture and British values, whilst acknowledging the importance of others who served Leicestershire communities and beyond. The Leader confirmed he had agreed to meet with the various staff network representatives and emphasised his commitment to unity. He noted the comments made on behalf of the staff network groups and advised that employees were safeguarded by the law and regulations and any abuse or intimidation should be reported to line managers and dealt with appropriately.

Arising from questions asked of the Leader, the following points were made:

- (i) The need to consider the new Protocol urgently was challenged, noting that this had required a special meeting of the Cabinet to be held just three days before an already scheduled Cabinet meeting was due to take place. The Leader commented that his Cabinet had simply felt it appropriate to move at pace on the matter and so had chosen to act accordingly.
- (ii) A Member highlighted that the special Cabinet meeting had lasted only 8 minutes, that there had been no debate on the proposed changes to the Protocol and suggested that the need for urgency had been manufactured to avoid proper scrutiny and bypass proper consultation with staff and stakeholders. The Leader reported that the revised Protocol had been thought through by Cabinet members in advance of the meeting. All Cabinet members had been behind the decision and so it had not been difficult to come to a swift conclusion.
- (iii) Members strongly criticised the approach taken to treat the matter as urgent, commenting that there had been no external pressure or crisis that had required this. There was overall concern that the approach taken had been to prevent the matter being properly scheduled for consideration by Scrutiny. As a result, a Call-in had been necessary and in addition to the special meeting of the Cabinet a special meeting of the Scrutiny Commission had now had to be called. Members complained that this had resulted in wasted officer and members time and resources and could have been avoided if due process had been followed.
- (iv) It was emphasised that the Leader had taken on great responsibility and that he and his Cabinet faced serious issues relating to adult and children's social care, flooding, road conditions and many other matters which affected residents' everyday lives. A Member questioned how, in the face of all those challenges, the Cabinet had determined that this specific issue warranted an urgent meeting, suggesting that instead this had only worked to create confusion and concern amongst Council staff. The Leader responded that reviewing and changing the Protocol had not required any financial input and did not require days or weeks of planning, so his Cabinet had determined that this piece of work could be quickly and easily undertaken and resolved, allowing members to focus on those financial and service pressures identified. The Leader assured the Commission that Lead Members were all working hard in those areas.
- (v) Members queried why the current Protocol had been regarded as 'confusing' and if the Cabinet had felt the matter to be urgent due to

concerns regarding a particular flag. The Leader responded that confusion regarding the current Protocol related to the number of different flags flown throughout the year which he suggested ranged between 40 – 50 flags. He further commented that his Group did not have concerns with specific flags, but stated that some could be regarded as political, and therefore flying the Union Flag and the County Flag had been considered to be the priority to bring the people of Leicestershire together. He stated that the proposed new Protocol was not intended to disparage any group and the chosen flags fulfilled the Council's national and civic responsibilities.

- (vi) A Member, who was an armed forces veteran, stated his support for flying only the Union Flag in the quadrangle, in addition to the stated armed forces flags, commenting that in the armed forces this was regarded as inclusive. However, he emphasised that flags were symbolic and that each flag meant something to someone and therefore the 'pick and mix' approach that had now been put forward by the Cabinet risked creating more confusion and division, further marginalising some groups over others. He suggested that if the Cabinet had wished to simplify the Protocol, then stating that, when not flying flags in support of Armed Forces Day, Commonwealth Day and Armistice Day, the Union Flag would be flown, would provide a clearer approach. The Leader acknowledged the comments made and undertook to give this due consideration.
- (vii) Members expressed strong concern that the Cabinet had pressed ahead without consulting staff groups. The current Protocol had been in place for only 6 months and had been agreed by all Group Leaders at the time, following proper consultation with Council staff. It was questioned why the same approach had not been adopted for this review, which risked damaging staff morale. The Leader emphasised that the Cabinet had taken its decision legally and lawfully and denied any intent to marginalise any of the staff groups. The Leader confirmed that he had offered to meet with staff groups which he said he was particularly keen to do given the concerns staff had raised in their comments today, which pre-dated changes to the Protocol.
- (viii) The need to follow the Council's democratic processes was emphasised by Members, highlighting that by following due process the Council developed and made better and more informed policy decisions. A Member questioned if the Leader shared this view and agreed that proper scrutiny was an important part of the democratic process. The Member further sought assurance from the Leader that the Cabinet would not deny scrutiny of future decisions in the usual way. The Leader responded that he had advised Cabinet Members of Call-in and would have been surprised had that not occurred. He confirmed his support for the scrutiny process, including the option to call-in decisions.

The Chairman invited Members' comments on the reasons for the Call-in and the information now provided by the Leader in response to questions raised. Arising from discussion, the following comments were made:

- (ix) A Member spoke in support of the decision taken by the Cabinet and highlighting that as a Reform councillor who was gay, his concern was that identifying and putting people into different groups only created more

division not unity and so he, like others, opposed the current Protocol. In his view, his Group, through the revised Protocol, strived to unite everyone, respecting each person for who and what they were.

- (x) The lack of prior scrutiny was robustly criticised, some Members suggesting that the decision had been rushed to avoid proper debate which undermined democratic scrutiny and transparency. A Member suggested that the matter should be referred back to the Cabinet for reconsideration so that the comments now made could be taken into account.
- (xi) It was suggested that separate consideration should be given by the Constitution Committee to what should constitute as being 'urgent', justifying the calling of an urgent meeting.
- (xii) Whilst the new Administration had a democratic mandate to amend Council policy as it saw fit, the Cabinet's approach to call an urgent meeting to do this was robustly criticised. A Member commented that this had been a waste of the Council's already scarce resources and emphasised that if the Cabinet had followed proper process, the Call-in and the need to call two, possibly three, additional special meetings could have been avoided.
- (xiii) The reasons set out in the Call-in Notice to require the Cabinet to reconsider its decision were supported, in particular the need to address the lack of staff consultation and the lack of account taken of the Council's Public Sector Equality Duty. A Member highlighted that the Protocol did not change the flags that would be flown at the front of County Hall, only those in the quadrangle which primarily affected staff. It was suggested that in referring the matter back to the Cabinet, the Leader should be requested to properly consult Staff Working Groups to ensure their views could be taken into account in accordance with due process.
- (xiv) It was suggested that Cabinet resolution 4(b)(iii) was too vague and unclear and should instead specifically state which of the flags in the list of the previously agreed Flag Flying Protocol would be flown, thus ensuring clarity and consistency in the application of the Protocol.
- (xv) The decision to delegate authority to the Chief Executive, following consultation with the Leader, to consider other requests to fly flags in relation to community events and celebration days (Resolution 4(c) was supported. However, it was suggested that this should be made clearer by restricting this to exceptional national or international issues that arise from time to time.
- (xvi) Several Members supported the proposal that the Cabinet be requested to consider flying only the Union Flag in the quadrangle (as well as outside the front of County Hall) when other specific flags were not being flown was also supported.

RESOLVED:

It was moved by Mrs Tayor and seconded by Mr Poland that:



- (a) That the Cabinet be asked to reconsider its decision regarding the adoption of a new Protocol for Flying Flags at County Hall taken at its meeting held on 12 June 2025 having specific regard to:
- (i) Resolution 4(b)(iii), that “the fourth pole within the Quadrangle at County Hall be utilised to mark events such as Armed Forces Day, Commonwealth Day and Armistice Day”; and
  - (ii) Resolution 4(c), “that decision in relation to all other requests to fly flags in relation to community events and celebration days be delegated to the Chief Executive following consultation with the Leader of the County Council.”
- (b) That the Cabinet be requested to speak with representatives of each of the Council’s staff working groups, and to give due consideration to the comments received from the County Council as a Corporate Parent, from County Council social workers and from members of the public in advance of the Cabinet meeting at which the Protocol for Flying Flags at County Hall is to be reconsidered;
- (c) That the Cabinet consider whether the Union flag could also be flown on the fourth flagpole in the quadrangle (as well as outside the front of County Hall) when other specific flags were not being flown;
- (d) That a copy of the minutes summarising all the comments now made by the Scrutiny Commission be presented to the Cabinet for consideration in support of (a) and (b) above.

The Motion was put and carried, 7 members voting for the motion, and 6 members voting against.

17. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Commission would be held on Monday, 8 September 2025 at 10.00am.

2.00 - 3.10 pm  
24 June 2025

CHAIRMAN

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## **SCRUTINY COMMISSION – 8 SEPTEMBER 2025**

### **MEDIUM TERM FINANCIAL STRATEGY – BUDGET MONITORING AND STRATEGY REFRESH**

#### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

##### **Purpose of the Report**

1. The purpose of this report is to provide the members with an update on the County Council's short and medium term financial position in light of the current economic climate. The report will also detail the changes to the previously agreed 2025-29 capital programme following the latest review and will cover the specific revenue budget monitoring position as at the end of period 4 (the end of July).
2. A supplementary report setting out the details above is currently being finalised to ensure that it includes the most up to date information required, and this will be circulated to members and published on the County Council's website as soon as it is available.

##### **Policy Framework and Previous Decisions**

3. The Medium Term Financial Strategy (MTFS) for 2025/26 to 2028/29 was approved by the County Council on 19 February 2025. The MTFS forms part of the Budget and Policy Framework as set out in Part 4C of the Council's Constitution.

##### **Timetable for Decisions**

4. The Cabinet will consider a report on the MTFS position at its meeting on 12 September 2025, including the proposed changes to the previously agreed 2025-29 capital programme. The Cabinet will also be recommended to endorse additional investment in bank risk sharing products (capital release funds) in line with the Council's approved Treasury Management Strategy which permits up to a maximum investment of £20m at any one time.
5. The Cabinet will be asked to approve the draft MTFS 2026 to 2030 for consultation in December 2025. All Overview and Scrutiny Committees and the Scrutiny Commission will consider the draft MTFS in late January 2026 and the Cabinet will then make a final recommendation to the County Council in February 2026.

**Recommendation**

6. The Scrutiny Commission is asked to note the contents of the report.

**Equality Implications**

7. There are no equality implications arising from this report.

**Human Rights**

8. There are no human rights implications arising from this report

**Circulation under the Local Issues Alert Procedure**

9. None

**Background Papers**

Report to the County Council on 19 February 2025 - Medium Term Financial Strategy 2025/26 – 2028/29

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7391&Ver=4>

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## **SCRUTINY COMMISSION – 8<sup>TH</sup> SEPTEMBER 2025**

### **CORPORATE ASSET MANAGEMENT PLAN 2022 - 26** **ANNUAL PERFORMANCE AND STRATEGY UPDATE REPORT** **2024 – 2025**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **Purpose of Report**

1. The purpose of this report is to set out the performance achieved against the Council's Corporate Asset Management Plan during 2024-2025, outline changes in strategy and provide details of the work programmed for 2025 - 2026. The full Annual Performance and Strategy Update (the Annual Report) is appended to this report.

#### **Policy Framework and Previous Decisions**

2. The Council's Strategic Plan 2022 - 2026, approved by full Council on 18 May 2022, provides a strategic planning framework for the Council which will ensure that all service plans and strategies contribute to delivery of the Council's vision for Leicestershire. It sets out five strategic outcomes, namely Clean and Green, Improved Opportunities, Great Communities, Safe and Well and Strong Economy, Transport and Infrastructure.
3. The Medium Term Financial Strategy (MTFS) 2025 - 29 was approved by the County Council on 19 February 2025. This includes the allocation of resources to fund the Capital Programme up to 2028/29.
4. The Scrutiny Commission considered the Corporate Asset Management Plan (CAMP) 2022-26 in September 2022 prior to its approval by the Cabinet on 23 September 2022.
5. The CAMP is aligned with the Council's Strategic Plan and promotes the management of the Council's property assets in a way that contributes to the achievement of the five strategic outcomes and together with the MTFS supports the Council's corporate and service priorities. The CAMP includes the requirement that a performance and strategy update report be presented annually to the Scrutiny Commission.

## **Background**

6. The CAMP outlines the framework for the future management of all the Council's property assets (including the Investing in Leicestershire Programme (IILP) direct property portfolio), for the period 2022 – 2026 driving the portfolio's future strategic direction whilst continuing to demonstrate best practice in its delivery, noting that the primary purpose of these properties is support the delivery of County Council services as efficiently and effectively as possible.
7. The CAMP aligns with the Strategic Plan which embodies and drives the Council's wider strategic objectives and provides the basis of all its activities, including the management of its property assets, necessary to deliver its vision for Leicestershire over the period to 2026.
8. The key ambitions of the CAMP are:-
  - To create a greener estate which is moving towards energy self-sufficiency;
  - To ensure the focus on delivering capital projects that make a positive difference is continued with projects being delivered on-time, within budget and procured in a way that achieves value for money;
  - To have well maintained, energy efficient buildings with 70% of repairs and maintenance being delivered through a planned programme; and,
  - To rationalise the portfolio through a proactively managed asset challenge process supported by governance that facilitates early decision making enabling potential benefits to be maximised.
9. Whilst the CAMP covers the four-year period to 2026, it is subject to ongoing review throughout that period to take account of any changes to the Council's strategic objectives and the availability of resources to support its delivery.
10. The full Annual Report which is appended to this report provides a comprehensive review of performance during the 2024-25 year, necessary to provide transparency and demonstrate that value for money is being achieved in the management of the Council's assets together with a review of strategy changes and an action plan, aligned with the MTFS, for the period to 2029.

## **The Portfolio**

11. As of 1st April 2025, the Council's portfolio comprised a total of 716 freehold and leasehold property assets with a combined value of £519 million. Such properties range from the County Hall campus, locality offices, schools, depots, libraries, farms, offices and industrial units together with land acquired to support the roadbuilding and schools' programmes.
12. The overall number of property assets reduced by 12 from 728 in 2024 as a result of the number of disposals and leases surrendered exceeding that of additional purchases and the development of new assets.

13. The overall asset value of £519 million for 2025 represents an increase of £12million compared to the previous year (£507m). Having risen substantially in 2024, as a result of the revaluation of the IILP rural portfolio, the rise in the total value of the portfolio this year stems from a further uplift in the value of the rural estate due to the generation of 'hope value'. The revised valuation, which is a provisional figure and subject to a further review by external auditors, has been prepared by external consultants in accordance with nationally accepted valuation guidelines. Accordingly, the value of direct property assets held by the IILP rose to £223m further increasing its share of the Council's overall property portfolio to 43%.
14. There are currently 104 non-operational assets within the Council's property portfolio with a combined value of £19m, down from £21m in 2024. This reflects the continued downward trend in both the numbers and value of non-operational assets resulting from completed sales, the ongoing delivery of infrastructure and re-valuation. The split by value of these properties is as follows:
  - Land in Advance (property acquired to support infrastructure projects and future service needs) - £3m
  - Managed Assets (assets managed corporately including those previously held by services which generate income) - £6m
  - Surplus Properties (properties surplus to the needs of services being considered for disposal - £1.m
  - Land held for Sale (properties within the disposal process) - £9m
15. The MTFS 2025 – 2029 has allocated £439m of funding to support the delivery of the capital programme over the 4-year period. Of this total, projects to the value of £183m (42%) have a property input. These include the delivery of the school place programme, the IILP investment programme and the planning and delivery of major infrastructure projects. In 2025 – 2026 the proportion of property related projects represents 56% of the overall programme with a value of £87m.
16. The estimated future liabilities in respect of essential maintenance, repair and improvements required to meet Health and Safety and regulatory compliance has fallen from £53.2 million in 2023-24 to £51.1m for the whole of the Council's property portfolio despite continuing high inflation in the construction sector. £1.8m (3.5%) falls within the most urgent priority 1 category which requires issues to be addressed within 12 months. The current year's Central Maintenance Fund allocation is £3.01m.

### **Performance in 2024 - 25**

17. The Annual Report attached as an Appendix to this report sets out in detail the overall performance of the Council's property portfolio during the 2024/25 financial year against the CAMP 2022 – 2026. This is summarised below.
18. The performance should be acknowledged as being delivered in the context of a significant number of vacancies within the Strategic Property service, which

are proving difficult to fill due to the buoyancy of the market for particular property roles. The new Head of Strategic Property will be seeking to resolve the resourcing issues.

#### Action Plan 2024 - 2028

19. The initial CAMP Action Plan was developed for the period 2022 – 2026 (included as an appendix to the CAMP). This was subsequently updated and extended to include up to 2028, such changes being reported to the Commission as part of the Annual Performance and Strategy Update Report 2023-24.
20. The Action Plan is divided into three sections covering the property related input to the delivery of the MTFS capital programme, the reviews and strategy updates necessary to support service delivery and improvement, plus the ongoing annual property management programme.

#### Capital Programme Projects

21. The Action Plan 2024 -28 detailed 38 capital programme projects which have a property related input. 24 of these projects were either due for completion during 2024-2025 or had a phase of works due for completion in that year. Of the 24 projects identified, 12 (50%) were completed on schedule; the need to reassess schemes due to changed economic conditions and services requirements coupled with planning delays being the primary causes of the remaining projects not being completed. However, it is anticipated that all such schemes will remain within budget.
22. Of the ongoing projects due for completion in future years, 71% are currently on or ahead of schedule. The following were among the projects successfully completed in 2024-25:
  - A new Primary School at South-East, Coalville
  - A new Primary School at Airfield Farm, Market Harborough
  - The planned extension of Hugglescote Primary School
  - Delivery of the final phase of Office Infrastructure as part of the Ways of Working Programme

#### Reviews and strategy updates

23. A programme of 14 property reviews and strategy updates, necessary to support service improvement were detailed in the Action Plan and due to be undertaken in 2024-2025. Of these 8 (57%) were completed on schedule with work on the remaining 6 ongoing and due for completion within a timescale that does not impact service outcomes.

#### Annual Property Management Programme

24. In respect of the Annual Property Management Programme comprising 9 equally important “business as usual” functions, the following programmes were



developed at the start of the year.

- Future development sites programme
- Asset and insurance valuations programme
- Central maintenance fund repair programme
- Condition and regulatory compliance surveys programme
- Ongoing management of all let property within the portfolio
- Freedom of information requests
- Management of traded services
- Disposals programme
- Maintenance programme and updating of the property asset management system

25. The first 8 programmes were progressed or completed satisfactorily within the year. However, the programmed maintenance and updating of the property information system is being re-evaluated not only to support ongoing work on the asset challenge and the revisions identified in 2022-23 in relation to processes and procedures but also to improve its reporting capabilities necessary to ensure the effective management of the portfolio.

#### Performance Indicators

26. The CAMP recognised that to deliver effective economically viable property solutions it is necessary to monitor delivery and measure its effectiveness. The CAMP put in place a set of realistic, but challenging, key performance indicators which, if achieved, would drive forward improvement year-on-year; the indicators falling within 3 main areas, namely:
- The CIPFA approved indicators in respect the condition, maintenance, sufficiency and environmental performance of the portfolio.
  - Local performance indicators relating to matters specific to the County Council such as the level of capital receipts.
  - The IILP performance indicators comparing the portfolios performance to market benchmarks.
27. Overall, as detailed in the Appendix, 16 (67%) of the 24 performance indicators assessed were achieved in 2024 - 25, a significant improvement on the 50% achieved in 2023-24. A further 2 (11%) were not achieved but showed a significant improvement in performance on the previous year with the remaining 6 (22%) failing to be achieved.
28. The improved performance was largely attributable to a slowing in the rate of inflation within the construction sector and the stabilising and later reduction in energy costs over the year.

### Asset Challenge

29. One key local performance indicator was the target of completing the asset challenge in respect of a minimum of 2 local authority areas in the year. All the operational and non-operational properties within Harborough District and Hinckley and Bosworth Borough were reviewed in the year. The outcomes are detailed in Appendix A to the Annual Report attached.

### Action Plan 2025 - 2029

30. The CAMP Action Plan is reviewed and refreshed annually. In response to changing economic conditions, available resources and demands on services the Action Plan 2025 – 2029 has been developed in collaboration with service departments; the Action Plan reflecting the work required to deliver the capital programme 2025/26 – 2028/29, the property reviews necessary to support future service improvement and the ongoing “business as usual” management of the portfolio.
31. The full Action Plan is detailed in the Appendix attached to this report. The following key outcomes have been identified for 2025 – 2026:
- Deliver all Services’ Capital Programme projects on time and within budget.
  - Complete the Central Maintenance Fund Works programme.
  - Meet the capital receipts target.
  - Maximise revenue income and potential cost savings.
  - Further develop the property asset management system (PAMS)

### Resource Implications

32. The County Council’s financial position has been challenging for a number of years due to over a decade of austerity combined with significant growth in spending pressures, particularly from social care and special education needs. This was exacerbated by the impact of the Covid-19 pandemic and significant increases in inflation, to levels not seen for many decades. The MTFS 2025-29 projects a funding gap of £4.7m in the first year that will need to be balanced by the use of earmarked reserves. There is then a gap of £38m in year two rising to £91m in year four.
33. The four-year capital programme totals £439m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, the Investing in Leicestershire Programme, social care accommodation and general improvements to key assets.
34. The updated CAMP Action Plan, outlined in the Appendix highlights how the financial resources that have been allocated to the Council’s corporate property resources in the capital programme and MTFS programmes/budgets will be utilised. Delivery of individual projects detailed in the Action Plan included in the appendix attached will be considered against a clear business case methodology.

35. In order to deliver the CAMP Action Plan, in full, it is necessary for both Strategic and Operational Property Services to be fully resourced. However, at the present time there are a significant number of vacancies across the service and whilst recruitment of additional staff is being prioritised the buoyancy of the market and the limited supply of suitably qualified people are constraining the process.

### **Equality Implications**

36. There are no direct equality implications arising from this report. Any equality implications relating to individual projects and strategies detailed within the CAMP will be considered in detail as part of their individual governance process

### **Human Rights Implications**

37. There are no human rights implications arising from this report.

### **Environmental Implications**

38. The CAMP 2022 – 2026 seeks to maximise the potential of the Council's assets to contribute to the delivery of the environmental improvements contained within the Strategic Plan's Clean and Green Strategic Outcome.

### **Background papers**

County Council – 18<sup>th</sup> May 2022 – Strategic Plan (2022 – 2026)

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6482&Ver=4>

County Council – 19<sup>th</sup> February 2025 – Medium Term Financial Strategy 2025/26 – 2028/29

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7391&Ver=4>

Scrutiny Commission – 4<sup>th</sup> September 2024 – CAMP 2022 – 26 Annual Performance and Strategy Update Report 2023 – 2024

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=7445&Ver=4>

### **Circulation under the Local Issues Alert Procedure**

None.

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**Appendix**

Corporate Asset Management Plan Annual Performance and Strategy update report  
2024 - 2025

# Corporate Asset Management Plan 2022 – 2026

ANNUAL PERFORMANCE AND  
STRATEGY UPDATE REPORT

2024 - 2025



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# 1 INTRODUCTION

Leicestershire has a reputation of being one of the best performing authorities in the country, providing quality services to the public. Key to this success is a high performing, fit-for-purpose, property portfolio capable of supporting services now and in the future.

The Corporate Asset Management Plan 2022 – 2026 (CAMP) sets out how, through both the maintenance and improvement of the building stock and the delivery of a range of new programmes and projects, the Council will meet the growing resource demands and future challenges. It is closely aligned with the Council's Strategic Plan 2022 – 2026, supporting the delivery of the five strategic outcomes.

As important as having the right policies and strategies in place to deliver effective economically viable property solutions that meet those wider strategic objectives, is the need to monitor that delivery and measure its effectiveness. Accordingly, the CAMP put in place a set of realistic, but challenging, key performance indicators which, if achieved, will drive forward improvement year-on-year.

This, Annual Performance and Strategy Update Report details the performance and achievements for 2024 -2025, identifying areas of improvement and providing the necessary background information to support future strategic reviews. In addition, it provides an overview of the portfolio and the future changes in its development, following the adoption of the Medium Term Financial Strategy 2025 -2029 and in particular the revised Capital Programme.





## 2 CORE DATA

Aligned to the Council's Balance Sheet, which is published as part of the Annual Statement of Accounts, this section of the report provides data on the number, type and value of the Council's property assets as of March 2025. It also sets out information on the Council's capital investment programme from 2025-2029, with particular reference to property related projects and programmes and the current maintenance programme across the portfolio.

### 2.1 The Portfolio

In April 2025, the Council's Land and Buildings portfolio comprised a total of 716 freehold and leasehold property assets, with a combined value of £519 million. As summarised in the following Table

| Schedule of Assets as at 31st March 2024 |                                              |                |                     |                    |
|------------------------------------------|----------------------------------------------|----------------|---------------------|--------------------|
| Asset Category                           | Number of Freehold and Leasehold Assets Held | Asset Value £m | Asset % (by number) | Asset % (by value) |
| Nursery School                           | 1                                            | £0             | 0                   | 0                  |
| Primary School                           | 223                                          | £91            | 31                  | 18                 |
| Secondary School                         | 47                                           | £0             | 7                   | 0                  |
| Special School                           | 15                                           | £28            | 2                   | 5                  |
| C&FS/Other                               | 23                                           | £13            | 3                   | 3                  |
| A&C Other                                | 14                                           | £13            | 2                   | 3                  |
| Offices (Including County Hall)          | 13                                           | £50            | 2                   | 10                 |
| Libraries Museums/Records                | 49                                           | £18            | 7                   | 3                  |
| Investing in Leicestershire Programme    | 157                                          | £223           | 22                  | 43                 |
| Depot                                    | 7                                            | £9             | 1                   | 2                  |
| Waste HWRS                               | 15                                           | £20            | 2                   | 4                  |
| Park and Ride                            | 1                                            | £3             | 0                   | 1                  |
| Travellers Sites                         | 2                                            | £3             | 0                   | 1                  |
| Country Parks and Community Assets       | 25                                           | £14            | 3                   | 3                  |
| Outdoor Residential Centre (Beaumanor)   | 1                                            | £15            | 0                   | 3                  |
| Managed Assets and land in Advance       | 70                                           | £9             | 10                  | 2                  |
| Surplus Property & Assets Held for Sale  | 34                                           | £10            | 5                   | 2                  |
| <b>Total</b>                             | <b>716</b>                                   | <b>£519</b>    | <b>100</b>          | <b>100</b>         |

**Notes:** Number of assets equates to the number of properties with individual unique property references (UPRN). All figures rounded to nearest whole number.



The overall asset value of £519 million for 2025 represents an increase of £12 million compared to the previous year (£507m). The increase is largely due to the value of the ILLP Direct Property Portfolio increasing to £223m in 2024-25, as a result of a further uplift in the value of the rural estate. As the largest sector by value, the ILLP direct property portfolio, represents 43% of the total asset value an increase of 2% on the previous year.

The other major change is the continued reduction in the value of education assets, as additional schools move to academy status resulting in their value reducing to a nominal £1.00 due to the granting of the 125-year academy lease.

The number of operational assets decreased overall, following a small number of disposals.

The proportion of assets held for each service has remained consistent with previous years, with schools contributing 40% of the overall asset number, albeit that the number of non-operational assets has reduced.

## 2.2 Capital Programme

The MTFS funded capital programme totals £439m over the four years to 2028 – 2029. A reduction of £8m from £447m of funding allocated in the MTFS 2024 – 2028, and £509m in the 2023 – 27 MTFS.

The programme is funded by a combination of Government grants, capital receipts, external contributions, revenue balances and earmarked reserves. The estimated £240m of external funding at its disposal enables the Council to fund the major schemes in the programme.

The overall approach to developing the capital programme forms part of the capital strategy and has been based on the following key principles:

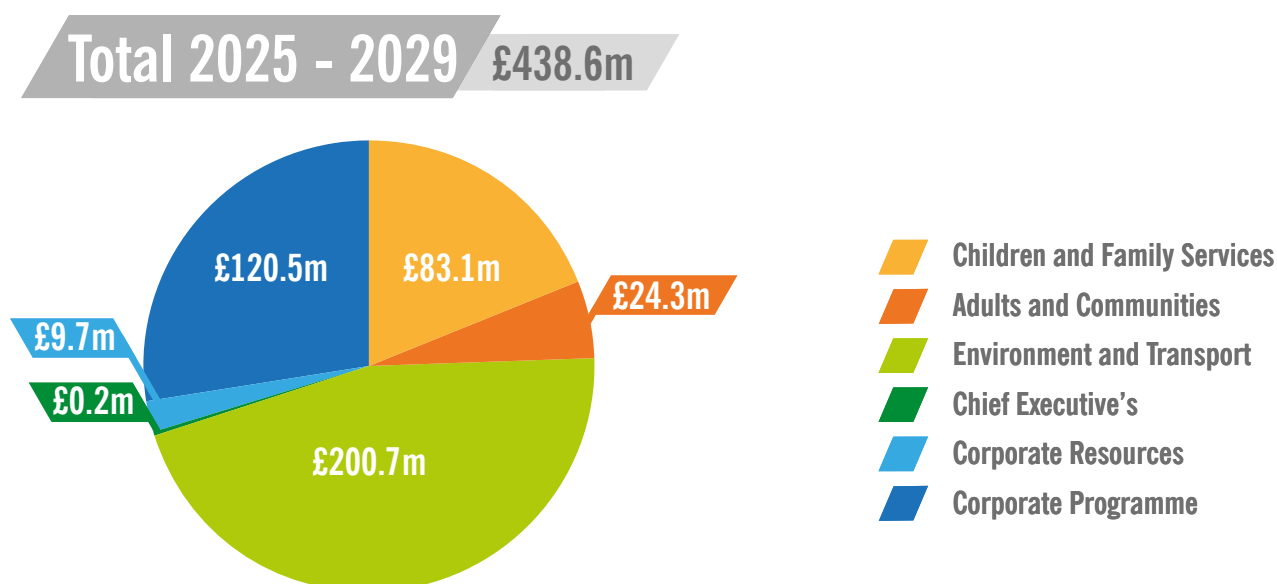
- To invest in priority areas of growth including roads, infrastructure, economic growth and to support delivery of essential services.
- No discretionary capital schemes will be added to the programme unless fully funded by external sources.
- Capital schemes will only be added to the programme once a business case has been completed.
- To invest in projects that generate a positive revenue return (spend to save), minimum return on investment for new schemes: 7% return (c.10 year payback)
- Passport government capital grants received for key priorities for highways and education to those departments.
- No new forward funding of section 106 contributions.
- Maximise external sources of income including capital receipts, section 106 housing developer contributions and bids to external funding agencies.
- No investment in capital schemes primarily for financial return where borrowing is required anywhere within the capital programme (in line with the Prudential Code).
- In exceptional circumstances limited prudential borrowing will be considered where needed to fund essential investment in service delivery.
- Thorough risk appraisal of new schemes, with adequate contingencies held.



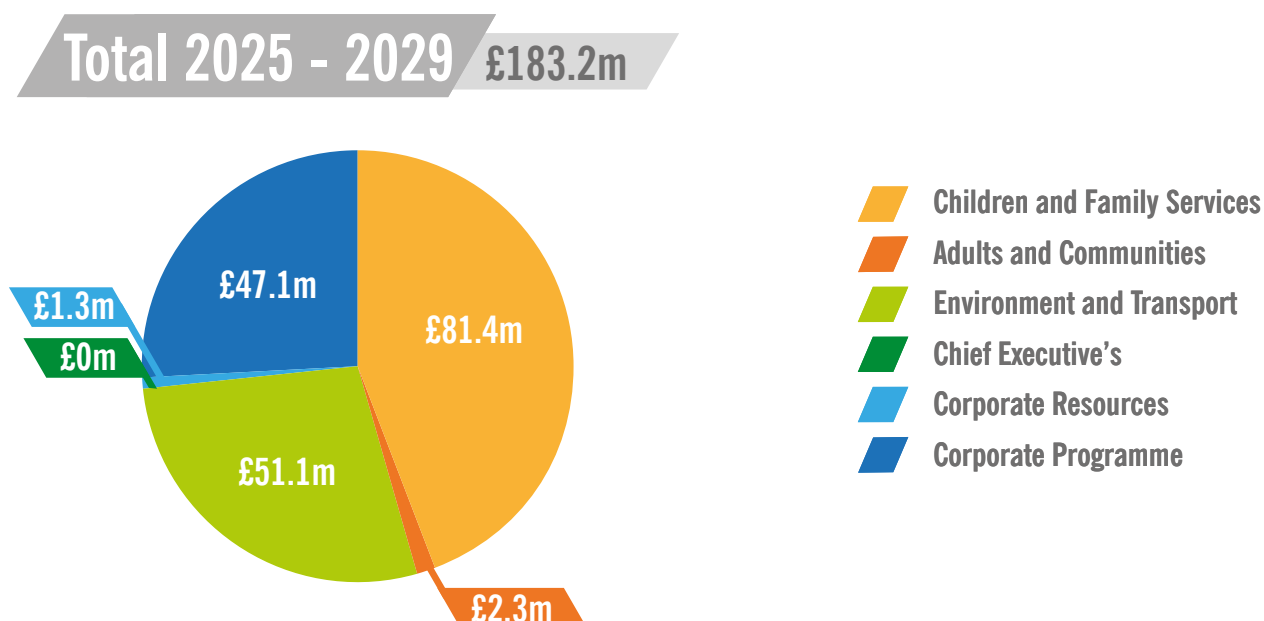
Over the four year period to 2029, the proposed spend on capital projects with a property element is £183 million which represents 42% of the overall capital programme of which projects to the value of £144 million will be delivered directly through Property Services. The projects range from the planning and construction of new schools, to providing property advice in respect of future infrastructure projects.

The figures below show illustrate the overall programme to 2029 and the proportion of projects supported by Property Services.

### Overall Programme



### Projects with property element



## 2.3 Maintenance

The Central Maintenance Fund, which supports the routine maintenance of the operational portfolio, stands at £3.01m for 2025-2026 (supplemented by capital funding of £693,000 for major refurbishment schemes) an 8% increase on 2024 –2025; the increase being necessary to off-set continuing high inflation within the construction industry and enable the continued improvement in the overall condition of the portfolio.

In addition, the maintenance and repair of the IILP portfolio (£850,000 in 2024/25) is not included in above as it is paid for out of the fund's revenue budget, notwithstanding that the majority of IILP properties are let on full repairing terms or the equivalent thereof

This is set against estimated future liabilities in respect of essential maintenance, and repairs and improvements required to meet health and safety and regulatory compliance totalling £51.1 million including the liability in respect of properties within the IILP portfolio. The total future liability is split over three categories of priority dependent on the required timing of the repairs. Priority 1 repairs are those required to be undertaken within one year, priority 2 between 1 and 2 years and priority 3 between 3 and 5 years; the cost relating to those properties within the portfolio where the County Council has a maintenance liability (excluding academies who are responsible for repairs and maintenance under the terms of the 125-year lease).

Approximately, 3.5% of the total (£1.8m) is in the most urgent category (priority 1), an increase of £500,000 on the previous year, which require issues to be addressed within 12 months otherwise there may be an impact on service delivery, or a building may close for a period of time.

The majority of the remaining repairs are attributable to those ongoing repairs and maintenance issues that need to be programmed and undertaken in forthcoming years. The central maintenance funding targets, through the planned maintenance programme, the most urgent repairs and those preventative repairs that deliver the greatest long-term value thereby ensuring that all operational properties continue to support service delivery.

The budget of £3.01m will meet the cost of urgent repairs, but proactive investment is required to maximise the value of the expenditure alongside bids for capital expenditure, for significant end of life replacement costs that are not covered by the maintenance fund.



## 3 PROJECT DELIVERY

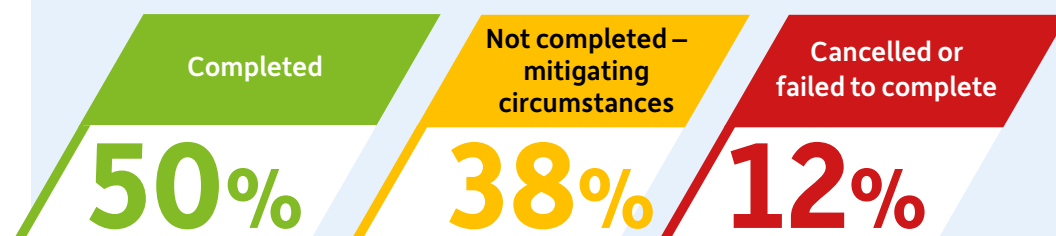
### 3.1 Overview

#### 3.1.1 Capital Programme Delivery

The MTFS 2024 – 2028 approved by the Council in February 2024 allocated funding of £447m to support the Capital Programme for the 4 years to 2028, of which £147 million related to expenditure to be made in 2024 – 2025 with £121million (82%) having a property related input.

The revised Action Plan detailed within the CAMP Annual Performance and Strategy Update Report 2023-24 identified 38 Capital Programme projects with property related input that was required to support them over the MTFS period. Of the projects detailed, 24 were either due to be completed during 2024-2025, had a phase of works due for completion in 2024-2025 or were being actively developed to facilitate delivery in future years; with the balance scheduled for further development or completion in future years.

#### Projects due for completion in 2024 -2025



In summary, a total of 12 projects (50%) were successfully completed in the year, including;

- A new Primary School at South-East, Coalville
- A new Primary School at Airfield Farm, Market Harborough
- The planned extension of Hugglescote Primary School
- Delivery of the final phase of Office Infrastructure as part of the Ways of Working Programme

91% of the completed projects were completed within budget. Whilst the uncompleted schemes are currently within budget the unspent capital funding for these projects will be brought forward into the current and future years in accordance with a revised delivery programme.

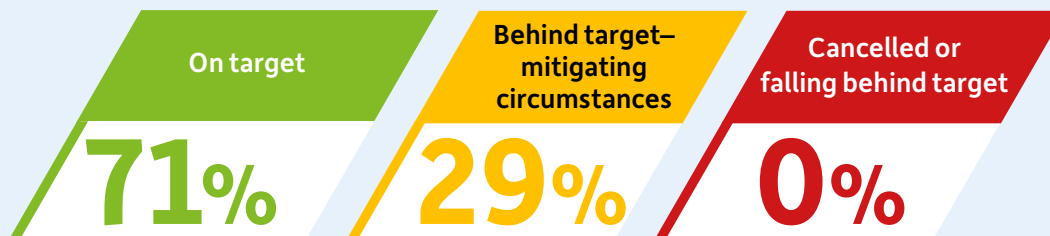
The Drive Through Restaurants at Leaders Farm, Lutterworth fell behind schedule as a result of delays in obtaining planning consent and the need to meet pre- commencement conditions in advance of work starting on site. These issues have now been resolved and the project has been reprogrammed, with construction due to start on site before the end of the year.

Given changing economic circumstances and service needs, 2 projects, namely, the Adult SCIP Programme and the provision of EV charging points were reviewed in advance of any expenditure being committed with the result, that the delivery strategy and programming of the schemes have been revised with a view to reformatted schemes being implemented in later years.

The proposed Quorn Solar Farm project was reviewed and in view of both the reduced viability of the scheme and the timescales for delivery rather than proceed with its development the opportunity was marketed with the sale being completed in 2025-26

In addition, no further direct property assets were acquired or developed by the Investing in Leicestershire Programme.

### Projects due for completion in future years



The delivery of projects in future years is on track, with the exception of schemes that have been reviewed or delayed by a subsequent strategy review undertaken by the service in response to changing needs or market demands, for example the Melton Depot replacement project where consideration is being given to sourcing a site capable of supporting the Melton RHWS as well as the Highways Depot.

A small number, particularly those within the IILP portfolio, that were identified as running behind programme in 2023-4, namely, Lutterworth East, the M69 J2/Stoney Stanton strategic development site and Airfield Farm, Market Harborough are now on target to meet their revised timetables; the initial delays arising as a result delays within the planning system and in the case of Lutterworth East the need to achieve a variation to the original planning permission to improve the viability and marketability of the development. The routine improvements to the Industrial and Farms portfolios, will continue in line with an updated programme to be delivered as part of the ongoing review of the strategic approach and management of those assets.



### 3.1.2 Reviews

The Action Plan for 2024-25 detailed a programme of 14 property reviews and strategy updates that were due to undertaken during the year, either as a one-off review or on an annual rolling basis.

#### 2024-25 Review programme

Completed  
on target

57%

Partially completed  
behind target with  
work on-going

43%

Cancelled, failed to  
complete / substantially  
behind target

0%

Of the total, 8 were completed or are progressing in-line with the original programme. The remaining 6 projects are behind their original target, however, all have been partially completed with work ongoing and will be completed within a timescale that does not impact current service delivery but will ensure improved outcomes. The delays to these projects have resulted from a combination of resourcing and procurement issues combined with the need for services to review future service delivery to take account of changes in central government policy, changing demand and economic circumstances; the completed reviews including:

- Review of the Coroners and Registrars Service Property Portfolio
- Review of the future need for additional school places
- Annual Review of the IILP Strategy
- Review of the assets held with Harborough and Hinckley and Bosworth areas

### 3.1.3 Property Management

In addition, Strategic and Operational Property Services are responsible for undertaking the ongoing equally vital “business as usual” functions included in the Annual Property Management Programme. The programme comprises the following 9 elements:

- Capital acquisitions and disposals programme
- Future development sites programme
- Asset and insurance valuations programme
- Central maintenance fund repair programme
- Condition and regulatory compliance surveys programme
- Ongoing management of property portfolio including IILP direct property assets
- Freedom of information requests
- Management of traded services
- Maintenance of property information and financial property management and reporting systems



### Ongoing Annual Management Programme

Completed

89%

2022-23 workstream ongoing

11%

Programmes were developed for all 9 workstreams at the start of the year and implemented on an ongoing basis. Eight of the 9 programmes were completed satisfactorily within the year. However, the programmed maintenance and update of the property information system has been re-evaluated as a result of ongoing work on the asset challenge, asset valuations and condition surveys with the required modifications being carried forward into this year's programme.

## 3.2 Key Actions 2024 – 2025

The Action Plan outlined the property related services to be delivered by Strategic and Operational Property Services in 2024-2025 and future years. From the overall programme, the CAMP identified seven key actions. Listed below is a summary of the outcomes delivered or the current status of the project achieved in collaboration with colleagues across the council.

- **Deliver all Services' Capital Programme projects on time and within budget.**

The school's capital programme for 2024 – 25 as detailed in the Action Plan was delivered in full, with primary schools at South East Coalville and Airfield Farm, Market Harborough and the expansion of Hugglescote Primary School all completed on schedule. The ongoing projects in the school places delivery programme remain on target to meet planned school opening dates in 2025-26 and future years.

- **Complete the Central Maintenance Fund Works programme**

A full programme of planned and reactive maintenance was completed at a cost of £2.95m, within the budget of £3.02m and set against the background of an ever-increasing demand, a substantial maintenance backlog and construction costs continuing to rise at above the general rate of inflation. In addition, a number of condition improvements were also completed to corporately held property assets.

- **Continue to deliver initiatives that support the Energy Strategy.**

Work to reduce energy consumption, costs and reduce carbon emissions has continued. Through stricter monitoring of control settings and site energy reviews focussed on those buildings with the highest historic levels of energy consumption, the potential exists to reduce overall energy consumption in future years. In addition, following the upgrades to the solar PV arrays at County Hall completed in 2023-24 the increased renewable electricity generation achieved in that year have been maintained further contributing towards the future attainment of the Council's renewable energy target.

- **Meet the capital receipts target.**

The achievement of capital receipts to support the capital programme and wider service provision remains a key priority. A disposals programme for the period to 2028 was developed at the start of the year and agreed with Corporate Property Steering Group. Those properties that were available to be marketed in 2024-25 had a target disposal value of £2.45m.

All the programmed sales were progressed within the year. However, all the major sales, whilst terms were agreed with prospective purchasers failed to complete with the result that only sales to the value of £145,000 were completed in the year; the balance with a total value of £2.3m being carried forward into 2025-26. In addition, the sale of the development site at Sysonby Farm, Melton Mowbray where contracts have been exchanged will be completed on the opening of the Melton Mowbray Distributor Road, during the current year releasing a further substantial receipt

- **Maximise revenue income and potential cost savings.**

The Council's managed property portfolio, including the direct property portfolio held by the IILP, delivered a net income of £5.4m in the 2024-25 year. Further, to ensure that an increased income stream accrues in future years a total of 45 rent reviews and lease renewals were progressed in 2024-25 with a further 73 falling due for review in the current year for which the relevant statutory notices were served, with further reviews programmed for future years.

The drive towards maximising income is further supported by the commercial portfolios low rate of voids, currently 5.6%, based which is substantially below the national benchmark of 10.4%.



- **Further develop the property asset management system (PAMS).**

A review of the current system was undertaken in 2023-24. It identified the main areas of improvement required to fully support the asset challenge were; to upgrade the system whilst recognising the need for data to be inputted in a timely manner to ensure that up to date records are maintained and accurate reports produced. In undertaking the ongoing work on the system, further improvements have been identified that will enable improved data management and increase its reporting capabilities.

- **Work with partners and provide support in the delivery of the ongoing Ways of Working Programme across the authority**

The implementation of the now complete Ways of Working Programme continued to identify further under-utilised premises and office space which, by rationalising the portfolio, continues to generate significant savings and additional rental income.



## 4 PERFORMANCE MEASURED AGAINST KEY INDICATORS

The CAMP recognised that equally as important as having the right policies and strategies in place to deliver effective economically viable property solutions, is the need to monitor that delivery and measure its effectiveness.

The CAMP includes a set of realistic, but challenging, key performance indicators which, if achieved, will drive forward improvement year-on-year. These KPIs fall into three main categories:-

- Those recognised by CIPFA which look beyond the County Council's internally set targets and, instead, are capable of monitoring performance against suitable comparators.
- Internal KPIs with a particular focus on the needs of the County Council
- Those applicable to the IILP portfolio and provide a direct comparison with the wider investment market.

Overall, 67% of all performance indicators were achieved in 2024 – 25. 11% were not achieved but either showed an improvement on the previous year or failed as a result of mitigating circumstances, with the balance of 22% failing to be achieved.

The performance is being used by Property Services to identify areas of improvement and provide the necessary background information to support future reviews of strategy.

The performance should be acknowledged as being delivered in the context of a significant number of vacancies within Property Services. The Strategic Property team carried a high number of vacancies during 2024/25 due to the buoyancy of the market for particular property roles. Operational Property are suffering less but are finding it difficult to recruit permanently to specialist, technical roles.

In respect of the three separate categories of KPI's the individual outcomes were as follows:

### 4.1 CIPFA Performance Indicators

#### 4.1.1 Condition and Required Maintenance

Following the rise in the cost of the maintenance backlog in 2023-2024, driven by the effects of inflation in the construction industry running at a higher rate than the general economy construction industry costs in 2024-25 began to realign with CPI inflation with the result being that the level of backlog has reduced in real terms. However, in 2024-25 it has been necessary to devote additional resources to meeting revised standards of statutory compliance and whilst expenditure was within agreed budgets the overall cost of repairs and maintenance rose in real terms resulting in a number of the performance targets below failing to be achieved. The achievement of these indicators will remain challenging in future years with the rate of inflation within the construction industry forecast to continue rising faster than that of the general economy coupled with the ongoing need to meet statutory standards.

The proportion of properties in good or satisfactory condition increased to 53%. Overall, the condition of the portfolio should show further improvement in future years. The proportion of poor and badly performing properties will continue to fall as the ongoing asset challenge process identifies those that are capable of improvement to better meet service needs and those that should be declared surplus and sold with the targeted planned maintenance programme addressing any repair issues.

| Property Performance Indicator and Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Performance        |                 | Target                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 2023-24            | 2024-25         |                                                                                                                                                                                                                                                                                                            |
| <b>1 A The % of gross internal floor area (GIA) in condition categories A to D</b><br>A: Good – Performing as intended and operating efficiently<br>B: Satisfactory – Performing as intended but showing minor deterioration<br>C: Poor – Showing major defects and/or not operating as intended<br>D: Bad – Life expired and/or serious risk of imminent failure                                                                                                                                                             | 5%                 | 4%              | <b>Seek to increase the proportion of properties in categories A or B (Good or Satisfactory) year on year.</b><br><b>Achieved:</b> The proportion of properties with categories A & B rose by 1% to 53%                                                                                                    |
| <b>1 B Required maintenance expressed as a % in priority levels 1 to 3 and as a cost per sqm (£m2 GIA)</b><br>P1 – 0- 1yr - Urgent work required to prevent the immediate closure of premises and/or address H&S or regulatory issues<br>P2 – 1-2yrs - Essential work to prevent serious deterioration of the fabric or services and/or address a medium risk to H&S or breach or legislation<br>P3 – 3-5yrs – Desirable work to prevent deterioration of fabric or services and or address low risk H&S or regulatory issues | £2.16<br>(£2.22)   | £2.92<br>£41.84 | <b>The level of priority 1 urgent repairs should fall in real terms year on year to ensure that services are maintained</b><br><b>Failed:</b> In real terms the level of Category 1 repairs per sqm GIA rose. However, in real terms the level of both Priority 2 and 3 repairs fell.                      |
| <b>1C Total cost of required maintenance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | £53.2m<br>(£54.6m) | £51.1m          | <b>The level of required maintenance should fall in real terms year on year</b><br><b>Achieved:</b> The total cost of required maintenance fell by 6.3% in real terms                                                                                                                                      |
| <b>1 D i Total annual maintenance spend</b><br>(including expenditure incurred in respect of operational properties within the IILP portfolio)                                                                                                                                                                                                                                                                                                                                                                                | £3.12m<br>(£3.30m) | £3.80m          | <b>The total annual maintenance expenditure for operational property should not exceed 2022/23 levels in real terms</b><br><b>Neutral:</b> In real terms the total expenditure rose in line with construction cost inflation with additional resources required to meet increased compliance requirements. |
| <b>1 D ii Total annual maintenance spend per m2</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | £5.42<br>(£5.56)   | £6.19           | <b>Annual maintenance expenditure per m2 should fall in real terms year on year</b><br><b>Neutral:</b> In real terms expenditure per sqm rose, but this was a direct result of budget increases required to combat the effects of high inflation in the construction sector                                |
| <b>1 D iii Ratio of spend on planned and responsive maintenance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 47%                | 58%             | <b>Planned maintenance should be a minimum of 70% of the annual spend</b><br><b>Failed:</b> However at 58% the level of planned maintenance showed an 11% increase on the previous year                                                                                                                    |

Note: All real terms calculations based on March 2025 CPI inflation figure of 2.6% Figures shown in brackets are cost plus inflation

### 4.1.2 Environmental

Following the massive rise in wholesale energy costs in 2023 prices stabilised and began to fall back by the end of the 2023-24. In line with the overall market expectations the Council's energy costs fell by 21% over the 2024-25 year with saving of £0.6m being achieved in actual terms.

Whilst, the consumption of gas fell by 24% and electricity usage remained stable the consumption of biomass, based on the calorific value of the fuel rose by 229%, leading to an overall rise of 2% in total energy consumption. The 2% rise being attributable to increased level of occupancy at all sites and the methodology employed to calculate biomass consumption compared to the heat output method used in relation to gas. The level of on-site renewable energy generation maintained the increased contribution to the Council's energy supply achieved in 2023-24 following upgrades to the solar arrays at County Hall in that year. However, based on provisional figures CO2 emissions fell 7% reflecting the ongoing transition away from gas.

The levels of both energy consumption and carbon emissions remain substantially below pre-COVID levels. Whilst in the medium term the trend shows improved performance, variations in both prevailing weather patterns and increased occupation levels in line with the Ways of Working programme will continue to influence performance year on year.

Water usage based on billing data fell by 11% in 2024-25 following the continued active monitoring of the water use at County Hall which has resulted in the early identification of leaks ensuring any issues are dealt with swiftly.

A more detailed analysis of the Council's overall environmental performance is available at [www.leicestershire.gov.uk/environment-and-planning/environmental-policies-and-reports](http://www.leicestershire.gov.uk/environment-and-planning/environmental-policies-and-reports)

| Property Performance Indicator and Description                                                                | Performance        |              | Target                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------|--------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                               | 2023-2024          | 2024-2025    |                                                                                                                                     |
| Total Annual energy spend (gas electricity oil etc) £ net of income generated from selling energy to the grid | £3.24m<br>(£3.32m) | £2.63m       | <b>Reduce net annual expenditure on energy in real terms year on year</b><br><b>Achieved:</b> Expenditure fell by 21% in real terms |
| 2A Annual energy costs and consumption                                                                        | 19.1m Kwh          | 19.5m Kwh    | <b>Energy used (Kwh) should reduce year.</b><br><b>Failed;</b> Consumption rose by 2%                                               |
| 2B Water costs and consumption                                                                                | 40,779m3           | 36,268m3     | <b>Water used should reduce year on year</b><br><b>Achieved:</b> Consumption fell by 11%                                            |
| 2 C Annual CO2 emissions                                                                                      | 2,897 tonnes       | 2,688 tonnes | <b>Reduce corporate property CO2 emissions year on year</b><br><b>Achieved:</b> Carbon emissions fell by 7%                         |

Note: All real terms calculations based on March 2025 CPI inflation figure of 2.6%

### 4.1.3 Sufficiency, Capacity and Utilisation

The way in which office space is being utilised is changing and the working week profile is now considerably different to when the last government data was published. The government benchmark was 8.9sqm per FTE based on its portfolio compared to 8.8per sqm being achieved and 7.2 per sqm per workstation where our Ways of Working approach has been completed.

With office space being re-designed to incorporate collaborative, project and other dedicated space types coupled with the continued increase in home working for at least part of the week the emphasis has moved from fixed workstations to cost. Accordingly, this year Indicator 3A has been assessed against the last published data available and is reported below. No reliable data is currently available in respect of Indicator 3B. CIPFA are currently considering appropriate alternatives but until such time as that data becomes available it is proposed to measure performance in future years against progress in attaining the Ways of Working target model.

| Property Performance Indicator and Description Targets   | Performance 2024 - 2025 | Target                                                                                |
|----------------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------|
| 3A Average office floor space (sqm) per FTE staff member | 8.8                     | Maintain at a level below central government benchmark of 8.9msq/ per FTE             |
| 3B Average office floor space per workstation            | 7.2                     | Maintain at a level below central government benchmark<br>No available benchmark data |

### 4.1.4 Project Time and Cost Predictability

All the major construction projects necessary to support service needs that were programmed for completion in 2024-25 were completed on time. However, the delayed delivery of two IILP schemes, detailed earlier in the report, meant that overall, 90 % of schemes were delivered within the origin project programme period, in line with the target.

Of the schemes actually completed within the 2024-25 year, including those where the project programme overran from earlier years, 90.9% were completed within the original contract budget with only one minor refurbishment project being completed £4,000 (7%) over the original budget.

| Property Performance Indicator and Description | Performance 2024-25 | Target                                                                                                               |
|------------------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------|
| 4A Project Time Predictability                 | 90.0%               | A minimum of 90% of projects due to be completed in 2024-25 to be completed within original project programme period |

| Property Performance Indicator and Description | Performance 2024-25 | Target                                                                                           |
|------------------------------------------------|---------------------|--------------------------------------------------------------------------------------------------|
| 4B Project cost predictability                 | 90.9%               | A minimum of 90% of projects completed in 2024-25 to be completed within original contract price |

## 4.2 Local Performance Indicators

### 4.2.1 Capital Receipts

Those properties within the Disposal Programme and available for marketing and targeted for completion in 2024-25 had a value of £2.45m. During the year all were successfully marketed. However, the bulk of the sales failed to complete within the year and capital receipts of only £145,000 were achieved with the balance carried forward into 2025-26. In addition, a further £8.6m of receipts from the sale of the development site at Sysonby Farm, Melton Mowbray was carried forward to future years pending the opening of the Melton Mowbray Distributor Road which will trigger both the start of development and the phased release of the capital receipt.

| Property Performance Indicator and Description | Performance 2024-25 | Target                                                              |
|------------------------------------------------|---------------------|---------------------------------------------------------------------|
| 5A Capital Receipts                            | £145,000            | To achieve the agreed Capital Receipts target for the year (£2.45m) |

### 4.2.2 Asset Challenge

During the year the Asset Challenge of all Operational properties within Harborough District and Hinckley and Bosworth Borough areas was completed. Details of the outcomes are contained in the Report attached as Appendix A.

| Property Performance Indicator and Description | Performance 2024 - 2025                               | Target                                                                                                              |
|------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| 5B Asset Challenge                             | Harborough District and Hinckley and Bosworth Borough | To undertake the Asset Challenge in respect of a minimum of two Districts or Boroughs in each year.<br><br>Achieved |

### 4.3 Investing in Leicestershire Programme Performance Indicators

Full details of the performance of the IILP portfolio are provided in the Investing in Leicestershire Programme Annual Report 2024 – 2025. The performance of the portfolio's direct property assets measured against the portfolio's KPIs is detailed in the table below which indicates a further year of sound performance with 78% of targets being achieved. The current suite of IILP KPI's is currently under review, as part of a wider review of the portfolio and its management, ensuring that they remain fit for purpose and reflect benchmarks within the wider market.

| Property Performance Indicator and Description | Performance 2024-2025 | Target                                                                                                              |  |
|------------------------------------------------|-----------------------|---------------------------------------------------------------------------------------------------------------------|--|
| 6A i Rate of Return                            | <b>9.5%</b>           | Meet Investment Strategy target Rate of Return<br>> 6 %                                                             |  |
| 6A ii Rate of Return                           | <b>9.5%</b>           | Meet with average market return on capital over the whole portfolio<br>> 7.7%                                       |  |
| 6B Income return                               | <b>2.9%</b>           | Meet with average market net income return target<br>> 5.9%                                                         |  |
| 6C Capital growth                              | <b>6.6%</b>           | Meet with average market yearly capital growth target<br>> 1.8%                                                     |  |
| 6D Rental Income                               | <b>£7.3m</b>          | Increase rental income from managed property year on year.<br>2023-24 £7.1m                                         |  |
| 6E Voids                                       | <b>5.6%</b>           | Meet average market level of voids by area<br>< 10.4%                                                               |  |
| 6F Debt                                        | <b>11.1%</b>          | Meet 90 day debt target<br>< 10% of gross income                                                                    |  |
| 6G Revenue Surplus                             | <b>£7.8m</b>          | Increase revenue surplus over the whole portfolio (including diversified investments) year on year<br>2023-24 £7.6m |  |
| 6H Management costs                            | <b>6.9%</b>           | Meet management cost target<br>< 15%                                                                                |  |



## 5 ACTION PLAN 2025 -29

In response to the changing economic conditions, available resources detailed in the MTFS and changing demands on services, the Action Plan 2025 – 29 has been developed.

The major programmes and projects detailed in Section 5.1 below will be funded by the Capital Programme. Supported by any available grant and Section 106 funding, and developed as part of the MTFS - which seeks to balance the resources available against the need to achieve improved service provision.

The successful delivery of those capital programmes and projects remains a major focus of the CAMP Action Plans for the period to 2029. Section 5.2 details the review of existing service requirements, existing projects and the development of new programmes and strategies. As delivering the CAMP programme progresses, the number of reviews has reduced. However, in the event of changes to Central Government strategy it may be necessary to initiate further reviews during the year.

Section 5.3 lists the “business as usual” operations that will continue to be delivered. Essentially, the Action Plan identifies the work necessary to meet service needs and the aspirations of the Strategic Plan.





## 5.1 Capital Programme Project Delivery

| PROGRAMME                               | PROJECT                                                   | STRATEGIC OUTCOME      |                |               |                   |                 |                              | DELIVERY PROGRAMME         |                |             |             |             |             |
|-----------------------------------------|-----------------------------------------------------------|------------------------|----------------|---------------|-------------------|-----------------|------------------------------|----------------------------|----------------|-------------|-------------|-------------|-------------|
|                                         |                                                           | Improved Opportunities | Strong Economy | Safe and Well | Great Communities | Green and Clean | Transport and Infrastructure | Strategic Change Portfolio | Previous Years | 2025 - 2026 | 2026 - 2027 | 2027 - 2028 | 2028 - 2029 |
| CHILDREN AND FAMILY SERVICES            |                                                           |                        |                |               |                   |                 |                              |                            |                |             |             |             |             |
| School Place Programme                  | Overall Programme                                         | ↻                      |                |               |                   |                 |                              |                            |                |             |             |             |             |
|                                         | Hastings High School Expansion                            | ↻                      |                |               |                   |                 |                              |                            |                |             |             |             |             |
| SEND Programme                          | Expansion of Special Schools                              | ↻                      |                |               |                   |                 |                              |                            |                |             |             |             |             |
|                                         | Birchwood School, Melton Mowbray Expansion                | ↻                      |                |               |                   |                 |                              |                            |                |             |             |             |             |
| Capital Maintenance Prog.               |                                                           | ↻                      |                |               |                   |                 |                              |                            |                |             |             |             |             |
| Schools Devolved Formula Capital        |                                                           | ↻                      |                |               |                   |                 |                              |                            |                |             |             |             |             |
| Schools Access and Security             |                                                           | ↻                      |                |               |                   |                 |                              |                            |                |             |             |             |             |
| Childrens Residential Homes             |                                                           | ↻                      |                |               |                   |                 |                              |                            |                |             |             |             |             |
| Section 106 Schools Infrastructure      |                                                           | ↻                      | ↻              |               |                   |                 | ↻                            |                            |                |             |             |             |             |
|                                         | Iveshead Secondary School Expansion                       | ↻                      | ↻              |               |                   |                 | ↻                            |                            |                |             |             |             |             |
| ADULTS AND COMMUNITIES                  |                                                           |                        |                |               |                   |                 |                              |                            |                |             |             |             |             |
| SCIP                                    | Extra Care - Holliers and Snibston                        |                        |                | ↻             |                   |                 |                              |                            |                |             |             |             |             |
| Section 106 funded Library Improvements |                                                           |                        |                |               | ↻                 |                 |                              |                            |                |             |             |             |             |
| ENVIRONMENT AND TRANSPORT               |                                                           |                        |                |               |                   |                 |                              |                            |                |             |             |             |             |
| Major Schemes                           | Melton Mowbray Distributor Road - North and East Sections |                        | ↻              | ↻             |                   |                 | ↻                            |                            |                |             |             |             |             |
|                                         | A511/A50 MRN                                              |                        | ↻              | ↻             |                   |                 | ↻                            |                            |                |             |             |             |             |
|                                         | Zouch Bridge                                              |                        | ↻              | ↻             |                   |                 | ↻                            |                            |                |             |             |             |             |
|                                         | Melton Depot - Replacement                                |                        | ↻              |               |                   |                 | ↻                            |                            |                |             |             |             |             |
| Minor Schemes                           | General Depot Improvements                                |                        | ↻              |               |                   |                 | ↻                            |                            |                |             |             |             |             |
| Environment and Waste                   | Recycling Household Waste Sites - General Improvements    |                        |                |               |                   | ↻               |                              |                            |                |             |             |             |             |
|                                         | Recycling Household Waste Sites - S.106 funded schemes    |                        |                |               |                   | ↻               |                              |                            |                |             |             |             |             |

| PROGRAMME                                   | PROJECT                                                               | STRATEGIC OUTCOME      |                |               |                   |                 |                              | DELIVERY PROGRAMME         |                |             |             |             |             |
|---------------------------------------------|-----------------------------------------------------------------------|------------------------|----------------|---------------|-------------------|-----------------|------------------------------|----------------------------|----------------|-------------|-------------|-------------|-------------|
|                                             |                                                                       | Improved Opportunities | Strong Economy | Safe and Well | Great Communities | Green and Clean | Transport and Infrastructure | Strategic Change Portfolio | Previous Years | 2025 - 2026 | 2026 - 2027 | 2027 - 2028 | 2028 - 2029 |
| CORPORATE RESOURCES                         |                                                                       |                        |                |               |                   |                 |                              |                            |                |             |             |             |             |
| Ways of Working Programme                   | Workplace Strategy - Property Costs, Dilapidations and Refurbishments |                        |                |               |                   |                 |                              | ↘                          |                |             |             |             |             |
| Property Services                           | Anstey Frith House - Replacement windows and roof beams               |                        |                |               |                   |                 |                              | ↘                          |                |             |             |             |             |
|                                             | Aston Firs -Living Block refurbishment                                |                        |                | ↘             |                   |                 |                              |                            |                |             |             |             |             |
|                                             | Croft Depot - Roller shutter door replacement                         |                        |                |               |                   |                 | ↘                            |                            |                |             |             |             |             |
|                                             | Kegworth Library - Re-roofing                                         |                        |                |               | ↘                 |                 |                              |                            |                |             |             |             |             |
|                                             | Romulus Court - Refurbishment                                         |                        |                |               |                   |                 |                              | ↘                          |                |             |             |             |             |
| Climate Change - Environmental Improvements | Energy Initiatives                                                    |                        |                |               |                   | ↘               |                              |                            |                |             |             |             |             |
| CORPORATE                                   |                                                                       |                        |                |               |                   |                 |                              |                            |                |             |             |             |             |
| Investing in Leicestershire Programme       | Airfield Business Park - Phase 3 & 4                                  |                        | ↘              |               |                   |                 | ↘                            |                            |                |             |             |             |             |
|                                             | M69 Junction 2 - SDA                                                  |                        | ↘              |               |                   |                 | ↘                            |                            |                |             |             |             |             |
|                                             | Lutterworth Leaders Farm Drive Through Restaurants                    |                        | ↘              |               |                   |                 | ↘                            |                            |                |             |             |             |             |
|                                             | East of Lutterworth SDA (Planning & Preparatory Work)                 |                        | ↘              |               |                   |                 | ↘                            |                            |                |             |             |             |             |
|                                             | County Farms Estate - General Improvements                            |                        | ↘              |               |                   | ↘               | ↘                            |                            |                |             |             |             |             |
|                                             | Industrial Properties Estate - General Improvements                   |                        | ↘              |               |                   |                 | ↘                            |                            |                |             |             |             |             |
|                                             | Asset Acquisitions / New Investments                                  |                        | ↘              |               |                   |                 | ↘                            |                            |                |             |             |             |             |



## 5.2 Reviews and Development of Future Strategies

| SERVICE                      | REVIEW / STRATEGY                                                     | DESCRIPTION                                                                                                                                                                                                                                                                                       | STRATEGIC OUTCOME      |                |               |                   |                 |                              |                            |             |             |             |             |
|------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------|---------------|-------------------|-----------------|------------------------------|----------------------------|-------------|-------------|-------------|-------------|
|                              |                                                                       |                                                                                                                                                                                                                                                                                                   | Improved Opportunities | Strong Economy | Safe and Well | Great Communities | Green and Clean | Transport and Infrastructure | Strategic Change Portfolio | 2024 - 2025 | 2025 - 2026 | 2026 - 2027 | 2027 - 2028 |
| CORPORATE                    | Corporate Asset Management Plan                                       | Prepare Annual Performance and Strategy Update Report and review Action Plan to align with MTFS and obtain Cabinet approval to any proposed modifications. Undertake full review of CAMP in 2026 - 27.                                                                                            | ✓                      | ✓              | ✓             | ✓                 | ✓               | ✓                            | ✓                          |             |             |             |             |
|                              | Asset Challenge Programme                                             | Review of all publicly owned property assets within each District or Borough Council Area to ensure the retention of good performing assets and the improvement replacement or disposal of those which fail to meet agreed performance targets (2 local authority areas to be completed annually) | ✓                      | ✓              | ✓             | ✓                 | ✓               | ✓                            | ✓                          |             |             |             |             |
| CHILDRENS AND FAMILY SERVICE | Forward Planning of the Future Years School Places Delivery Programme | Working with partners and engaging with the Local Plan process to ensure that the future School Places Delivery Programme reflects the need for places based on future population and housing growth across the County                                                                            | ✓                      |                |               |                   |                 |                              |                            |             |             |             |             |
|                              | Secondary Education Inclusion Partnerships (SEIPS)                    | Review the current provision and suitability of premises used to support SEIPS to determine the future property requirement of the service across the County                                                                                                                                      | ✓                      |                |               |                   |                 |                              |                            |             |             |             |             |
|                              | South Leicestershire SEND Feasibility Study                           | Progress an options appraisal and feasibility study to identify a preferred location for the provision of a Send school in the south of the county                                                                                                                                                | ✓                      |                |               |                   |                 |                              |                            |             |             |             |             |
| ENVIRONMENT AND TRANSPORT    | Forward Planning for Major Schemes Programme                          | Providing property advice in respect of all future Major Schemes necessary to support the preparation of scheme budgets and compulsory purchase process                                                                                                                                           |                        | ✓              |               |                   |                 | ✓                            |                            |             |             |             |             |
|                              | Fleet Transition Feasibility Study                                    | Continue to support the delivery of the Fleet Transition Feasibility Study to ensure the delivery of service improvements maximises both carbon reduction and value for money through a co-ordinated approach across the Council                                                                  |                        | ✓              |               |                   | ✓               | ✓                            |                            |             |             |             |             |
|                              | BNG Delivery Strategy                                                 | Support the development of a BNG delivery strategy including the identification of opportunities to deliver BNG improvements across the asset base.                                                                                                                                               |                        |                |               |                   | ✓               |                              |                            |             |             |             |             |

| SERVICE             | REVIEW / STRATEGY                                     | DESCRIPTION                                                                                                                                                                                                                                                                                                | STRATEGIC OUTCOME      |                |               |                   |                 |                              |                            |             |            |             |             |
|---------------------|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------|---------------|-------------------|-----------------|------------------------------|----------------------------|-------------|------------|-------------|-------------|
|                     |                                                       |                                                                                                                                                                                                                                                                                                            | Improved Opportunities | Strong Economy | Safe and Well | Great Communities | Green and Clean | Transport and Infrastructure | Strategic Change Portfolio | 2024 - 2025 | 2025 -2026 | 2026 - 2027 | 2027 - 2028 |
| CORPORATE RESOURCES | Review of Strategic and Operational Property Services | Complete the review of the current operating model to ensure the continued delivery of an effective and efficient asset and property management service.                                                                                                                                                   | ✓                      | ✓              | ✓             | ✓                 | ✓               | ✓                            | ✓                          |             |            |             |             |
|                     | IILP Investment Strategy Review                       | Annual review of the IILP Investment Strategy to ensure that the management of the portfolio and investment decisions reflect current market conditions and reflect wider Council objectives                                                                                                               | ✓                      | ✓              | ✓             | ✓                 | ✓               | ✓                            | ✓                          |             |            |             |             |
|                     | IILP Rural Estate Future Management Strategy          | Complete the review of the IILP Rural Estate to inform the development and implementation of a revised management strategy in order to maximise the potential for the continued future delivery of financial benefits and wider strategic objectives                                                       | ✓                      | ✓              | ✓             | ✓                 | ✓               | ✓                            | ✓                          |             |            |             |             |
|                     | IILP Portfolio Review                                 | Annual Review of individual assets within the IILP Portfolio against performance targets to ensure the retention of good performing assets and the identification of underperforming assets with a view to their improvement or disposal                                                                   | ✓                      | ✓              | ✓             | ✓                 | ✓               | ✓                            | ✓                          |             |            |             |             |
|                     | Further Development of the Project Management Office  | Further develop the functionality of the Project Management Office to provide additional ongoing support in the procurement and delivery of all capital and major revenue projects ensuring that value for money is achieved, risk is managed positively and projects are delivered on time and on budget. |                        | ✓              |               |                   |                 | ✓                            |                            |             |            |             |             |
|                     | Review of property asset manement data system (PAMS)  | Review specification of existing K2 property PAMS sytem and future market opportunities for the procurement of a replacement system at the termination of the current contract in Sept 2026                                                                                                                |                        |                |               |                   |                 |                              | ✓                          |             |            |             |             |



### 5.3 Ongoing Annual Property Management Programme

| Programme                                                                                   | Description                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capital acquisitions and disposals programme                                                | annually prepare and deliver acquisitions and disposals programmes necessary to ensure the delivery of effective services and support the council's capital programme respectively                                                                                                                          |
| Future development sites programme                                                          | undertake the revaluation of a proportion of the overall portfolio each financial year in order to meet statutory compliance                                                                                                                                                                                |
| Asset and insurance valuations programme                                                    | undertake the revaluation of a proportion of the overall portfolio each financial year in order to meet statutory compliance                                                                                                                                                                                |
| Central maintenance fund repair programme                                                   | prepare and implement a comprehensive repairs and maintenance programme which maximises planned maintenance but provides for some reactive /emergency maintenance to be undertaken, as required                                                                                                             |
| Condition and regulatory compliance surveys programme                                       | re-survey a proportion of the overall portfolio each financial year in order to meet statutory compliance and inform future years central maintenance programme                                                                                                                                             |
| Ongoing management of property portfolio including liLP direct property assets              | day to day management of the council's overall property portfolio including, as appropriate, facilities management, maintenance and repair, re-lettings, lease renewals, rent reviews, compensation claims and dilapidations and management of day to day property enquiries.                               |
| Freedom of information requests                                                             | provide support and information, as required, to respond to requests for information in accordance with the provisions of the freedom of information act                                                                                                                                                    |
| Management of traded services                                                               | undertake the management and ongoing performance review of all property related traded services                                                                                                                                                                                                             |
| Energy compliance and data management                                                       | maintain accurate up to date energy database including account and meter information, fit and rhi submissions, mees reviews and dec/epc requirements.                                                                                                                                                       |
| Maintenance of property information and financial property management and reporting systems | maintain accurate up to date property and property related financial information and data providing the reports necessary to support the ongoing management of all property assets and the assessment of performance of individual assets measured against targets in the development of future strategies. |



## 5.4 Key Actions and Outcomes 2025 – 26

The overarching function of Property Services and central to the delivery of strategic and corporate objectives is to ensure that the Council's portfolio of property assets are fit for purpose, well maintained and capable of meeting the current and future needs and demands of the services they support.

To achieve that objective the following actions remain key to its delivery:

- To continue to work closely with service providers to identify their ongoing property needs, challenge the status quo, assist in the consideration of potential delivery options and progress their implementation ensuring that value for money is achieved.
- Adopt collaborative ways of working to deliver a property service that is efficient and cost effective and focussed on the delivering the needs of services and meet the demands of the communities they serve.
- Maintaining an effective property asset management system capable of providing robust data to support the asset challenge and option appraisal processes.

Against that background it is recognised that the achievement of the following key outcomes is essential to delivering that principal objective and the Council's wider strategic goals for the period to 2026.

- Meet the capital receipts target
- Maximise revenue income and potential cost savings
- Deliver all Services' Capital Programme projects on time and within budget.
- Complete the Central Maintenance Fund Works programme increasing the proportion of planned maintenance to target levels
- Further develop the property asset management system (PAMS)
- Work with partners and provide support in the completion of the Ways of Working Programme across the authority
- Complete and commence the implementation of the Rural Estate Strategy Review



# APPENDIX A

## ASSET CHALLENGE 2024/2025

### Corporate Asset Management Plan 2022 - 2026

#### Annual Performance and Strategy Update Report

#### Asset Challenge 2024 – 2025

1. The Corporate Asset Management Plan (CAMP) 2022-2026 was approved by the Cabinet in September 2022. This promotes the rationalisation of the Council's property assets, reducing property running costs, generating new property income streams, ensuring cost effective procurement of property and property services, and creating capital receipts to support capital programme or other beneficial investment proposals. Specifically, it contains a requirement to undertake an asset challenge in respect of the assets held in a minimum of two districts/boroughs each year.
2. The Asset Challenge 2024-2025 considers the assets held in Harborough District and Hinckley and Bosworth Borough including all the non-operational assets that were subject to challenge in 2022-2023.
3. The asset challenge has followed the process detailed in the CAMP, as detailed below.
  - Identifying the Strategic Purpose for which the property is held;
  - the opportunities and risks presented by its continued ownership;
  - the current performance of the property in terms of suitability and value for money;
  - the potential future options in respect of improved service delivery and better utilisation of the asset, including any latent development potential.
4. The outcome of this assessment was then used to support evidence based conclusions regarding the retention, re-use or disposal of the property. Following consultation with the current service user, or reference to the Corporate Property Steering Group (CPSG) in circumstances where a dispute arises, the outcome is confirmed and implemented.
5. At the end of the process those freehold properties considered to be potentially surplus to service requirements become subject to the disposals process and are likely to be sold. The leases of any surplus leasehold property will be surrendered to the landlord at the earliest opportunity.
6. The initial assessment of all properties subject to asset challenge in 2024 – 2025 were completed in March 2025. The outcomes and recommendations are detailed in the following sections.

## Harborough District

7. On 1st April 2024 there were a total of 156 properties within Harborough District of which 147 were owned freehold; the remaining 9 properties categorised as assets 'Not Held' being properties (or in some cases a single room) occupied by a County Council service on the basis of an insecure licence or hiring agreement.
8. The outcomes and recommendations for assets located in Harborough District are detailed in the table below.

| HARBOROUGH DISTRICT      |            |           |                  |                |        |                     |
|--------------------------|------------|-----------|------------------|----------------|--------|---------------------|
| Category                 | Total      | Retain    | Retain / Improve | Further Review | Re-use | Dispose / Surrender |
| Primary Schools          | 41         | 36        | 4                | 1              |        |                     |
| Secondary Schools        | 8          | 4         | 4                |                |        |                     |
| Special Schools          | 0          |           |                  |                |        |                     |
| Other C&FS               | 3          | 3         |                  |                |        |                     |
| Libraries                | 5          | 4         |                  | 1              |        |                     |
| Museums                  | 1          |           |                  |                |        | 1                   |
| A&C                      | 5          | 2         |                  | 2              |        | 1                   |
| Depots                   | 2          | 2         |                  |                |        |                     |
| RHWS                     | 3          | 3         |                  |                |        |                     |
| Highway Assets           | 3          | 3         |                  |                |        |                     |
| Offices                  | 2          | 1         |                  | 1              |        |                     |
| IILP Assets- Farms       | 57         |           |                  | 49             |        | 8                   |
| IILP Assets - Commercial | 3          | 2         |                  | 1              |        |                     |
| Country Parks            | 1          |           |                  | 1              |        |                     |
| Land in Advance          | 5          | 5         |                  |                |        |                     |
| Managed Assets           | 3          | 3         |                  |                |        |                     |
| Surplus                  | 4          |           |                  |                |        | 4                   |
| Held for Sale            | 1          | 1         |                  |                |        |                     |
| Not Held                 | 9          | 9         |                  |                |        |                     |
| <b>TOTAL</b>             | <b>156</b> | <b>78</b> | <b>8</b>         | <b>56</b>      |        | <b>14</b>           |

9. In respect of the categories and individual assets within Harborough District the outcomes have been influenced by or take account of the following:
  - a. 73% of all school properties are academies subject to 125-year leases.



b. In order to meet the increasing demand for places arising from housing growth across the district the following primary and secondary school have planned improvement or expansion plans in place.

- Lutterworth College, Lutterworth
- The Robert Smyth School, Market Harborough
- Thomas Estley Community College, Broughton Astley
- Welland Park Academy, Market Harborough
- Old Mill Primary School, Broughton Astley
- Church Langton C of E Primary School

Further, it is recognised that with additional housing growth Kibworth Mead Academy, Lutterworth High School and Orchard Primary School, Broughton Astley will also need to be expanded in future years.

c. It is noted that there are no special schools within Harborough District with a strong demand for places.

10. The 56 assets requiring further review are detailed below:

- Within the school's portfolio only Dunton Bassett Primary School is subject to further ongoing review, due to falling pupil numbers and a constrained leasehold site.
- The Courtyard Workshops, Market Harborough, part of the IILP industrial portfolio, are nearing the end of their economic life. In addition, they have historic asbestos related problems which create additional risk to the County Council. Consideration should therefore be given to the redevelopment or disposal of the site.
- Kibworth Library where the parish have recently indicated that it wishes to relocate the library to the village hub.
- Brookfields in Great Glen following a major flooding incident earlier in the year.
- The allotment gardens in Market Harborough used in connection with the Roman Way day centre where a surrender of the lease is under consideration.
- The balance of properties are considered in paragraph 17 below

11. There are 14 assets proposed for disposal, namely:-

- 8 properties within the rural estate relating to the future disposal of development land within Lutterworth East SDA of which 6 were purchased to achieve full land assembly for the development and one is a bare land holding.
- The Sherrier Centre in Lutterworth used as a museums store which will have no further economic use on the transfer of the artifacts to storage at County Hall.
- The Roman Way day centre, that is being sold for conversion into a special school
- 4 surplus properties including the former Billesdon Highways Depot, that is in the process of being sold to the Fire and Rescue service.



## Hinckley and Bosworth Borough

12. On 1<sup>st</sup> April 2024 there were a total of 127 properties within Hinckley and Bosworth Borough of which 103 were owned freehold one is held on a long lease ; the remaining 23 properties categorised as assets 'Not Held'
13. The following table details the outcomes and recommendations in respect of assets within Hinckley and Bosworth Borough

| HINCKLEY AND BOSWORTH BOROUGH |            |            |                  |                |        |                     |
|-------------------------------|------------|------------|------------------|----------------|--------|---------------------|
| Category                      | Total      | Retain     | Retain / Improve | Further Review | Re-use | Dispose / Surrender |
| Primary Schools               | 38         | 35         | 1                | 2              |        |                     |
| Secondary Schools             | 10         | 3          | 7                |                |        |                     |
| Special Schools               | 3          | 3          |                  |                |        |                     |
| Other C&FS                    | 3          | 3          |                  |                |        |                     |
| Libraries                     | 8          | 8          |                  |                |        |                     |
| Museums                       | 1          | 1          |                  |                |        |                     |
| A&C                           | 5          | 5          |                  |                |        |                     |
| Depots                        | 1          | 1          |                  |                |        |                     |
| RHWS                          | 1          | 1          |                  |                |        |                     |
| Highway Assets                | 4          | 2          |                  |                |        | 2                   |
| Offices                       | 2          |            |                  | 2              |        |                     |
| IILP Assets- Farms            | 7          |            |                  | 7              |        |                     |
| IILP Assets - Commercial      | 2          | 1          |                  | 1              |        |                     |
| Country Parks                 | 8          | 7          |                  | 1              |        |                     |
| Land in Advance               | 7          | 6          |                  |                |        | 1                   |
| Managed Assets                | 1          | 1          |                  |                |        |                     |
| Surplus                       | 1          |            |                  |                |        | 1                   |
| Held for Sale                 | 2          | 1          |                  |                |        | 1                   |
| Not Held                      | 23         | 23         |                  |                |        |                     |
| <b>TOTAL</b>                  | <b>127</b> | <b>101</b> | <b>8</b>         | <b>13</b>      |        | <b>5</b>            |

14. Similarly, the above outcomes take account of the following:
- 65% of all school properties are academies subject to 125-year leases.

b. In order to meet the increasing demand for places arising from housing growth across the borough the following secondary school have planned improvement or expansion plans in place.

- Bosworth Academy, Desford
- Heath Lane Academy, Earl Shilton
- Hinckley Academy and John Cleveland Sixth Form Centre, Hinckley
- Hastings High School, Burbage
- Brookvale Groby Learning Centre, Groby
- Redmoor Academy Hinckley
- The Market Bosworth School

15. The 13 assets requiring further review are detailed below:

- Richmond Primary School, Hinckley and Witherly C of E Primary School require further review to ascertain whether they can deliver SEND and early years provision respectively.
- There is a need to monitor the future demand for school places at St Simon and St Jude C of E Primary School, Earl Shilton.
- The Oaks Industrial Estate, Earl Shilton, part of the IILP industrial portfolio, is held of a long lease on unfavourable terms. The potential to either acquire the freehold or surrender the lease (subject to existing sub-tenancies) should be considered on an on-going basis.
- A potential transfer of the lease of land at Sutton Cheney Wharf, currently in the Country Parks portfolio, to British Waterways is being pursued.
- The balance of properties are considered in paragraph 17 below

16. There are 5 assets within Hinckley and Bosworth earmarked for disposal. These comprise the former Holliers Walk Primary School in Hinckley, the Heathfield school site in Earl Shilton and 3 small areas of highways land no longer required in connection with the schemes for which they were originally purchased



## Harborough and Hinckley and Bosworth Areas

17. The following comments apply to assets within both local authority areas:

- The recommendations in respect of Depots and RHWS sites mirror the conclusions of recent service and property reviews.
- All farm properties within the ILLP rural estate, with the exception of those identified for disposal as part of the East of Lutterworth SDA, are subject to a separate review as part of the development of a Rural Estate Strategy to be completed by the end of March 2026 thereby facilitating the restructuring of the estate to ensure it continues to support new entrants whilst delivering financial and wider benefits to the Council.
- The County Council currently occupies office space from both Harborough and Hinckley and Bosworth councils. The letting arrangements and need for office space at these localities will be considered within the context of the Council's overall requirement for office space to support LCC staff from 2025 onwards.
- There are 12 non-operational assets within the Land in Advance category across the two authority areas 8 of which are located within the public highway, 3 are to be retained to support future highway schemes with the remaining small area of agricultural land at Wellesborough available for disposal.
- Any property that has been identified as having development potential (including renewable energy infrastructure) or the potential to deliver biodiversity net gains to support development will have a business case developed with a view to realising that potential.
- It is noted that there is a total of 32 "Assets not Held" across the two local authority areas being largely premises that support the supported living programme or premises (or a single room) used on the basis of a licence or hiring arrangement close to the point of service delivery. In respect of the latter services are being requested to ensure that in continuing such arrangements no suitable County Council owned premises are available capable of meeting this need.
- The K2 Property Information System will be updated to reflect any recategorization of assets required as a result of this review identifying errors or omissions in the current data.

18. Whilst a total of 19 assets spread over the two challenge areas have been identified as remaining or being potentially surplus to requirements. Of these 8 relate to the future disposal of land within the East of Lutterworth SDA and will be brought to the market in accordance with the strategy agreed by the Cabinet on 21st June 2024.

19. In respect of the remaining 11 assets, 8 represent viable marketing opportunities 3 of which are in the advanced stages of marketing and will realise the total sum of £7.64m. Of the other 3 assets 2 are of no value and one would only be attractive to a single special purchaser. However, on completion of the proposed further review of assets additional properties may be brought forward for disposal.



## Actions

20. Accordingly, it is proposed that:

- a. All assets declared surplus to requirements be disposed of at best value, subject to the sale representing a viable marketing opportunity;
- b. In circumstances where a sole special purchaser has been identified the asset is offered to that purchaser at an appropriate early date; and,
- c. In view of the significant number of 'Assets not Held', services utilising these premises will be requested to review the potential for delivering that aspect of service delivery from an alternative County Council held property.

## Capital Receipts

- 21. The estimated value of the viable marketing opportunities, excluding those within the East of Lutterworth SDA, either being marketed or yet to be marketed amounts to the sum of £8.75 million.
- 22. In respect of the properties yet to be marketed valuations and estimates of costs have been obtained in advance of marketing to ensure a surplus can be achieved.
- 23. The potential capital receipts, revenue and cost implications will be provided at the time that those properties identified available for disposal by the current asset challenge are declared surplus to requirements.

## Revenue Savings and Costs Avoided

- 24. The revenue resource implications arising from the disposal of surplus freehold properties will result in future property operating cost savings together with the costs avoided from not having to meet the cost of future repairs and maintenance (or other commitments), as detailed below

|                                  |            |
|----------------------------------|------------|
| Annual property operating costs  | £242,000   |
| Future Maintenance Costs Avoided | £1,390,000 |

Notes: The above cost savings are based on the last recorded full year's data and latest condition survey

Tenants are responsible for running costs in respect of let properties

## Service Department Consultations

- 25. Service Departments are being consulted in accordance with the agreed asset challenge and disposal procedures.

## Asset Challenge 2025-26

- 26. Asset challenge in 2025 – 26 will review properties in Melton Borough and Blaby District.





## **SCRUTINY COMMISSION – 8<sup>TH</sup> SEPTEMBER 2025**

### **INVESTING IN LEICESTERSHIRE PROGRAMME** **ANNUAL PERFORMANCE REPORT 2024/2025**

#### **REPORT OF DIRECTOR OF CORPORATE RESOURCES**

##### **Purpose of the Report**

1. The purpose of this report is to set out the performance of the Investing in Leicestershire Programme (IILP) in 2024/25 (the Annual Performance Report is appended to this report).

##### **Policy Framework and Previous Decisions**

2. In May 2014, the Cabinet established the principle of the management of the portfolio being overseen by an Advisory Board, comprising five Cabinet members (the background to this is outlined in paragraphs 8 to 10 below). This is now the IILP Board. The Board considers the merits of any investment opportunities presented by the Director of Corporate Resources, which the Director may then approve under his delegated powers or refer to the Cabinet for a decision.
3. The IILP was established in 2023 as part of the Medium Term Financial Strategy (MTFS) 2023/24-2027/28 and the IILP Portfolio Management Strategy 2024-2028 approved to guide future investment and management decisions. The Portfolio Management Strategy is reviewed annually in the MTFS.
4. The MTFS 2025-29 capital programme was approved by County Council on 19<sup>th</sup> February 2025 and includes the provision of £47m (subject to business cases) for the further development of the IILP during the period up to 2029. This allocation was subsequently increased after the year-end (March 2024) to £61m as a result of the re-phasing of expenditure from 2024/25. This is in addition to the £204m already invested in the IILP.
5. The Commission previously considered the performance of the Programme in September 2024. On 27 January 2025 it considered the Investing in Leicestershire Programme Portfolio Management Strategy 2024-2028 which was subsequently approved by the County Council in February 2025 as part of the MTFS.
6. The Corporate Asset Management Plan 2022-26, approved by the Cabinet on 23 September 2022 and is aligned with the Council's Strategic Plan. It

promotes the management of the Council's property assets in a way that contributes to the achievement of the five strategic outcomes in its Strategic Plan whilst recognising in the case of the IILP the continuing need to deliver both financial benefits and address areas of specific economic and social market failure.

### **Background**

7. The Council has owned and managed properties in the form of the Industrial and County Farms estate for many years. These properties are held for the purposes of supporting the delivery of various economic development objectives and to generate revenue and capital returns to the County Council.
8. The creation of the Corporate Asset Investment Fund and the associated Advisory Board in 2014 was aimed at increasing the Council's property portfolio and ensuring a more diverse range of properties, to continue to support economic development and generally increasing the quality and sustainability of the land owned by the Council and the income this generated.
9. The IILP Board (previously the Corporate Asset Investment Fund Advisory Board) is chaired by the Cabinet Lead Member for Resources and comprises four other Cabinet members. The Board considers the merits of any investment opportunities presented by the Director of Corporate Resources. The Director then determines whether to proceed with a scheme under his delegated powers or, where appropriate, to refer the matter to the Cabinet for a decision.
10. The Board is supported by officers from strategic property, strategic finance, legal, planning, and environment and transport services to provide advice on risks, deliverability and financial implications. Specialist property investment support and advice is also available to provide an independent view and robust challenge. The Growth Service (in the Chief Executive's Department) also provides support as necessary, now having general oversight of the delivery of large growth schemes to ensure these are assessed and prioritised against the resources available and balanced against the need to deliver the aims of the Programme and the Council's Strategic objectives.
11. The purpose of bringing the Annual Report for review is to demonstrate on both qualitative and quantitative bases, that the Programme is providing security for the Council's monies invested in it, and to show that it is being managed professionally, prudently and in a commercially astute way, to ensure it is growing in line with the IILP Strategy and that the overall direction of travel of the Programme is approved annually.



### **Current Performance of the IILP**

12. The IILP has grown significantly in value over recent years and has provided a means by which the Council can continue to provide high quality services to the people of Leicestershire despite significant pressures on public finances.
13. Since 2014 income generated by CAIF and IILP investments has contributed to supporting Council services, without which further savings would have been required and service provision to residents and businesses in the County would have been adversely affected.
14. The Annual Report appended to this report sets out in detail the overall performance of the IILP during the 2024/25 financial year and a summary is given below.
15. At the end of 2024/25, the direct property portfolio, including the value of the let areas of County Hall managed alongside the IILP properties, was valued at £231.8m and comprised £95.9m rural estate, £63.1m offices, £26.0m industrial properties and £4.7m of other property together with £42.1m of development properties.
16. In addition, the IILP holds financial investments that have been made in vehicles outside direct property ownership (diversifiers). These have been made to spread risk, in line with the Council's aim to increase its commercial activities to generate greater income that will support the Council's MTFS and future service delivery. These have a current value of £60.5m comprising £16.1m pooled property funds, £23.0m private debt, £8.7m pooled infrastructure funds and £12.7m pooled bank risk share funds. This brings the total value of the portfolio to £283.4m.
17. Overall, the capital value of the IILP increased by £0.1m during 2024/25 due mainly to an increase in the value of the direct property portfolio of £16.6m and a similar reduction in the value of the diversified assets as a result of assets being realised during the year; revised valuations having been prepared by external consultants in accordance with current guidelines. In addition, the IILP generated a net income of £8.6m which will contribute directly to the provision of Council services.
18. The let property investments have produced a return of 11.6% with all direct property, including the development sector, achieving a return of 9.5% - well above the market return of 7.7%. In addition, the diversifiers produced an income return of 8.1%. It should be noted that the property portfolio continues to be valued as at 1<sup>st</sup> October each year, which results in the assessment of the portfolio's performance not being fully aligned with its benchmark, as the impact of yield changes in the second half of each year will not be reflected in values until the following year.
19. Overall, the performance has been limited due to reduced staff resources within the Strategic Property Service. Difficulties in recruiting to vacant posts and interim senior management has affected the Service's ability to identify new

opportunities, instead focussing on maintaining the performance of the current portfolio. The newly appointed Head of Service has a plan to resolve the staffing challenges and re-focus work from September onwards.

### **Non Direct (diversifiers) property investments**

20. In response to the request of the Commission at its meeting in June, the following sets out more detailed information on the non-direct property investments (diversifier investments) held in the IILP.
21. Diversifier investments support delivery of the aims of the IILP as set out in the current IILP Strategy. The Strategy, last reviewed in 2024 by Hymans Roberston (“Hymans”), the Council’s investment consultant, seeks to provide the Council with a diversified income stream that is less correlated to the Leicestershire property market where a significant concentration of assets lie. Diversifier investments should provide an alternative source of income for times when the mainly Leicestershire based direct property portfolio could suffer from economic downturns.
22. It is prudent to spread the investment risk when relying on that income which supplements service provision to Leicestershire residents. Hymans recommended that the IILP target a 67% allocation of assets to direct property and 33% to diversifiers.
23. As at the latest position, 30 June 2025, the current split based on current values between direct property and diversifiers is 79% is allocated to direct property and 21% is to diversifiers. The split has widened over the year for a number of factors including:
  - a. A net return of capital from diversifier investments over the past year.
  - b. Continued investment into the Leicestershire direct portfolio, for example the next phase of the Airfield industrial development.
  - c. A material increase in the valuation of the rural estate at the year end.
24. There is a plan to rebalance this split towards the two-thirds, one third split as recommended by Hymans. This will include the proposal for additional diversifier investments during 2025/26 within private debt and a proposal for a new bank risk share investment currently being considered.
25. The table below shows the IILPs current diversifier investments. Since inception the Internal Rate of Return (IRR) shows the weighted average annual rate of return from when the investment was made. In summary, four pooled property investments were made, one within private debt, one within global infrastructure and one within a more niche area described as bank risk share. Each will be described in more detail in the table below.

| Asset Class                        | Q1 25/26/25<br>Capital<br>valuation | Forecast<br>Net<br>Income FY | In year<br>forecast net<br>income<br>return %<br><sup>3</sup> | Since<br>Inception<br>IRR <sup>4</sup> |
|------------------------------------|-------------------------------------|------------------------------|---------------------------------------------------------------|----------------------------------------|
| <b><u>Diversifier Holdings</u></b> |                                     |                              |                                                               |                                        |
| Pooled property: Hermes            | 7,230                               |                              |                                                               |                                        |
| Pooled Property: Lothbury          | 439                                 |                              |                                                               |                                        |
| Pooled Property: Threadneedle      | 4,541                               |                              |                                                               |                                        |
| Pooled Property: DTZ               | 3,594                               |                              |                                                               |                                        |
| <b>Pooled Property total</b>       | <b>15,804</b>                       | <b>422</b>                   | <b>2.6%</b>                                                   | <b>2.0%</b>                            |
| Private Debt MAC 4 2017            | 2,334                               |                              |                                                               | 6.2%                                   |
| Private Debt MAC 6 2021            | 13,239                              |                              |                                                               | 6.6%                                   |
| Private Debt MAC 7 2023            | 8,340                               |                              |                                                               | 9.2%                                   |
| <b>Private Debt total</b>          | <b>23,912</b>                       | <b>816</b>                   | <b>3.5%</b>                                                   | <b>6.5%</b>                            |
| Pooled Infra Fund                  | 8,648                               | 293                          | 3.4%                                                          | 3.6%                                   |
| Pooled Bank Risk Share             | 12,285                              | 965                          | 7.7%                                                          | 13.9%                                  |
| <b>Total Diversifiers</b>          | <b>60,647</b>                       | <b>2,496</b>                 | <b>4.1%</b>                                                   |                                        |

### Pooled Property

26. These are institutional funds where investors own units in a fund with other investors. Investors 'pool' money which is then invested by the manager into a collection of commercial property. All four of the pooled property funds the IILP invests in invest in UK commercial property. A total of £25million was invested between 2015 and 2019 with four managers as shown above.

Hermes property: £7.5million in February 2015

Lothbury property: £7.5million in December 2015

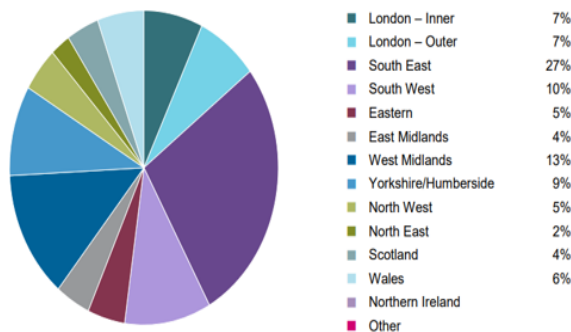
Threadneedle: £7.5million in February 2017

DTZ active value: £2.5million September 2018 and £2.5million June 2019

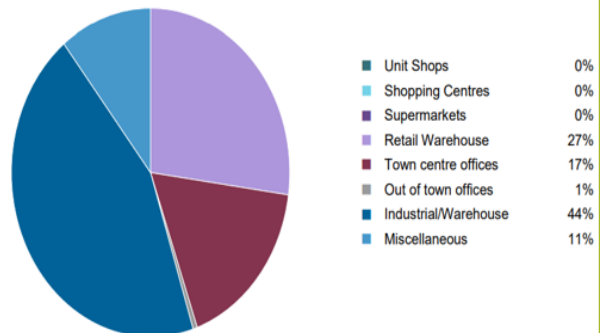
27. The first three funds listed above are classed as opened funds, they have no end date to return capital and stay 'open' under normal circumstances. The last, now managed by DTZ is a closed ended fund that invests in property requiring repositioning (change of tenant, capital investment, new longer leases) in order to deliver returns. The closed ended feature denotes that these funds have a limited life so that investors can expect a return of capital by a target date.
28. The illustration below shows the level of diversification available from investing in a pooled property vehicle (Threadneedle 31 December 2024) that a smaller investor like Leicestershire County Council (LCC) cannot achieve,



Property portfolio weighting – geographical split



Property portfolio weighting – sector distribution



\*WAULT – weighted average unexpired lease term (last year number in brackets)

29. As at the end of the last quarter the returns (as calculated using the internal rate of return) from the four pooled property funds including the capital invested, income received from tenants and return of any capital totals 2.0%pa since inception. For comparison, if investing money at bank rates since 1 December 2015 to 30 June 2025 (similar to the Lothbury investment) then the average return would be 1.7%pa.
30. Over the last 2 years, property funds have been under pressure from decreasing asset values as a result of a tougher lettings market but also from higher interest rates which inversely affects property capital values.
31. Lower total pooled property returns (2.0%pa since inception) is partly due to the liquidation of the Lothbury property fund as a result of a large number of redemption requests from investors in 2023/24. Most of the capital has now been returned albeit the IILP will receive around £1.8million less than the original amount invested. There is a positive return overall for this holding given quarterly income distributions from their let commercial property holdings since the IILPs investment in 2015.
32. During August 2025 the Fund also received a redemption from the Hermes fund which, similar to the Lothbury fund, was receiving redemption requests and has now merged with another fund run by Legal and General. The IILP is not a qualifying investor in the new merged fund and so was repaid capital at the latest valuation. The timing is unfortunate and, like the Lothbury redemption, the decision to redeem was not one the IILP would have taken and therefore was a forced seller. The return of £7.3million results in a capital loss of £0.2million, the IRR for this investment is 3.5%pa since inception which compares favourably with cash interest rates over a similar timeframe.

### Private debt

33. Private debt (sometime also referred to as private credit) refers to money loaned to businesses that isn't originated by traditional banks. The IILP invests money via one manager at present, Partners Group, and has invested in three vintages as they are known that are opened for investment for usually 1-2 years after which they are closed to new investors. The investment manager extends loans to corporate borrowers similar to a bank and manages the collection of the original loan and interest both of which are passed to the investor over time. Private credit vintages usually have a fixed length, around 6 to 10 years.
34. The IILP has invested in a safer strategy whereby loans are made towards the lower risk and return end of the private credit spectrum. These safer loans have the most investor protections in the event of the borrower facing financial difficulties. The loans are commonly arranged so that an arrangement fee is paid as well as interest that is referenced to a base rate. As base rates rise (and defaults are managed well) then income to the investor should increase.
35. The three vintages the IILP has invested in are detailed below with the first two returning capital. MAC 7 is now providing income with the first income distribution in June 2025. As capital is returned new commitments will need to be made to maintain an exposure. Officers are investigating potential options.

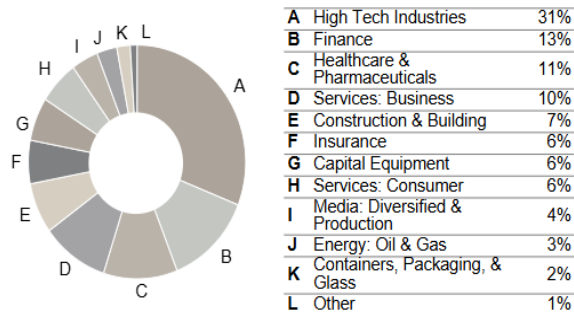
Partners Multi asset Credit (MAC) 4 – £20million commitment in 2018

Partners Multi asset Credit (MAC) 6 – £20million commitment in 2022

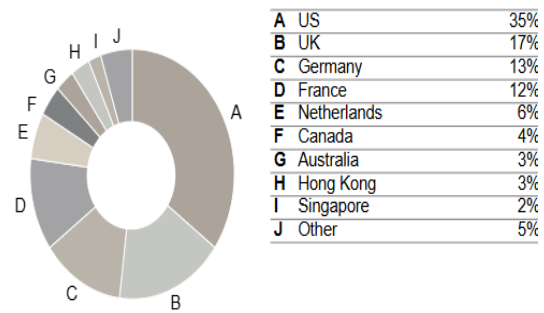
Partners Multi asset Credit (MAC) 7 – £10million commitment in 2023

36. The current IRR for the three private credit vintages as at 30 June 2025 is 6.5%pa. Returns in recent times have improved as interest rates in the UK and Europe (where most of the loans are made) have increased from near zero. The most recent investment to MAC7, where loans to corporate borrowers have been made during a period of higher interest rates, has the highest since inception returns at 9.2% as at 30 June 2025.
37. As a measure of the diversification achieved by using a manager to source private debt investments the current MAC7 investment provides exposure to the IILP from 66 (30 June 2025) companies. These investments are geographic and sector diverse. Loans extended to the 66 companies are weighted towards the safest end of the risk spectrum, so that in the event of borrower default these loans have primary calls on the company's capital available for distribution.

Investments by industry sector



Investments by country



### Infrastructure

38. This is a wide and diverse asset class that invests in infrastructure projects where target returns are estimated at the outset in many cases due to the contractual nature of the projects they can deliver. The IILP invested c£8.8million in January 2022 to the JP Morgan infrastructure investments fund (IIF).
39. The IIF is a US dollar denominated fund, the quarterly distributions received are converted to sterling on arrival. As a result of the Fund being dollar denominated the carrying value will be translated to sterling at each quarter end for reporting purposes. The IIF is an open ended fund, therefore no returning of capital unless an investor requests a capital redemption. It is one of the largest institutional infrastructure funds with a net asset value over 45billion US dollars.
40. The risk profile of the IIF is skewed towards the safer end of the available infrastructure funds. It is classed firmly within core and core plus funds with little exposure to development projects. IIF targets exposure to regulated sectors (30%-60%), contracted power (also 30%-60%) and finally a smaller allocation to more GDP sensitive infrastructure (0%-20%) which could include ports and airports exposure for example.

### Bank risk share

41. This investment is one the IILP first made in 2022 with a £15million commitment to credit relief fund 5 (CRF5) which is managed by Christoferson Robb and Company (CRC). The commitment was fully called by the manager by March 2023. It has since produced a return ahead of the original target of 9% pa. At the latest valuation available (30 June 2025) the net asset value of the existing bank risk share investment in CRF5 is valued at £12.3m. This will reduce as capital is returned.

What is bank risk share?

42. Within the banking regulatory environment, regulatory capital has to be held as support for loans. This is to ensure that the bank has adequate 'buffers' against losses under a range of scenarios. If a bank wishes to increase its lending activity it has to hold more regulatory capital; this capital can be expensive. For example, raising equity for regulatory capital can be difficult if the amount to be

raised is a large portion of the existing equity value. The riskier a type of loan, the more capital a bank needs to hold in reserve.

43. By arranging a mechanism for transferring the risk for loans made, banks can receive approval from the regulators to hold less regulatory capital against existing loans. This releases capital to support other banking activities or to bring them within regulatory limits.
44. The risk transfer and the approval by regulators makes bank capital relief attractive to both the bank and the investor. As capital is expensive to raise for banks, they can afford to pay a healthy premium to the counterparty (the investor) that the risk is being transferred to. In return, the banks end up with lower risk weighted assets (loans weighted on the level of risk they present to the bank) and better capital ratios.
45. Returns to investors come from the insurance premium paid by the bank which will be distributed to investors, less any fees. The invested capital will be returned as underlying loans made by the bank are repaid less any losses incurred.

Who is CRC?

46. Christofferson, Robb & Company (CRC) is a private debt management firm that was founded in 2002 with capital first deployed into bank risk share strategies in 2004 and which specialises in European bank capital release. They have a dedicated team split across mainly London and New York and have the longest track record of managers operating this strategy.
47. The strategy has been known to the Council since 2017 when the Leicestershire County Council Local Government Pension Scheme (LGPS) invested in an earlier release of the bank risk share strategy, Credit Relief Fund 3 (CRF3). The Leicestershire LGPS has invested into CRF5 and more recently in CRF6 and was advised by the investment consultant firm, Hymans Robertson. The liLP is currently considering an investment into CRF6 in order to maintain exposure to this asset class which is in line with the Hymans investment strategy for the liLP.

CRF6

48. The current iteration of the strategy (CRF6) targets an internal rate of return (IRR) of 13%. This is higher than the previous fund CRF5 and is due to the higher interest rate environment that is expected to continue whilst bank risk share transactions are being conducted. CRF6 commenced conducting risk transfer transactions in 2024 and is due to close to new investors in late 2025, income distributions will likely commence in early 2026.
49. The Council's current approved Treasury Management Strategy allows for a maximum of £20m to be invested into this asset class at any one time. It is not proposed to increase this limit.

50. The IILP commissioned additional assurance regarding CRF6 from Hymans Robertson (Hymans), which provides investment advice and is regulated by the Financial Conduct Authority. The advice is follow-on advice received by the Leicestershire County Council Pension Fund in October 2024 when the Fund's committee approved an investment in CRF6.
51. In summary, Hymans still consider CRC's Capital Relief Fund a "suitable investment", they note there have been "no key changes" at the manager level (CRC) or changes to the investment approach since their last review. The team has been expanded at junior level within investment, risk management and operations.

### **Future Resource Considerations**

52. The County Council's financial position has been challenging for a number of years due to significant growth in spending pressures, particularly from social care and special educational needs. This was exacerbated by the impact of the Covid-19 pandemic and significant increases in inflation, to levels not seen for many decades. The MTFS 2025-29 projects a funding gap of £4.7m in the first year that will need to be balanced by the use of earmarked reserves. There is then a gap of £38m in year two rising to £91m in Year Four. Delivery of the MTFS requires savings of £176m to be made from 2025/26 to 2028/29, unless service demand reduces, or additional income is secured. This MTFS sets out in detail £85m of savings and proposed reviews that will identify further savings to reduce the £91m funding gap on the main revenue budget and the £118m cumulative funding gap on the High Needs grant by 2028/29.
53. The Council's four-year capital programme totals £439m. This includes investment for services, road and school infrastructure arising from housing growth in Leicestershire, the IILP, social care accommodation and energy efficiency initiatives.
54. The MTFS 2025-29 which incorporates the investment strategy for that period confirmed the provision of funding to grow the IILP to £260m over the MTFS period. The exact level of investments made will depend on the availability of good investments, the cost of development, and the level of funding available. The expectation is that the returns (a combination of revenue income and capital growth) generated by the IILP will have a meaningful impact on the Council's budget to reduce the funding gap.
55. The amount invested in the Programme as at 31 March 2025 was £204m (the latest valuation of the portfolio which includes capital growth in the valuation of the assets held is £283m). Having regard to the potential sales that will occur over the MTFS period and planned reinvestment required to balance the portfolio, the capital provision of £47m included within the MTFS 2025-29 capital programme to fund additional investments spread over the four years (2025/26 to 2028/29) would increase the total sum invested to the £260m target.



## **Conclusion**

56. The views of the Scrutiny Commission are sought on the performance of the IILP in line with the current strategy. The Commission's comments will be reported to the Cabinet on 28<sup>th</sup> October 2025.

## **Equality Implications**

57. There are no equality implications arising from the recommendations in this report.

## **Human Rights Implications**

58. There are no human rights implications arising from this report.

## **Environmental Implications**

59. The IILP Portfolio Management Strategy, in relation to the acquisition, development and management of the IILP's property assets, incorporates measures that ensure that the direct property portfolio makes a positive contribution to the achievement of the Council's Strategic Plan's Clean and Green Strategic Outcome.

## **Background Papers**

County Council – 19<sup>th</sup> February 2014 – Medium Term Financial Strategy 2014/15 – 2017/18

<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=3961&Ver=4>

Cabinet – 6<sup>th</sup> May 2014 – Corporate Asset Investment Fund

<https://politics.leics.gov.uk/documents/s92357/10%20corporate%20asset%20investment%20fund.pdf>

Scrutiny Commission - 6<sup>th</sup> November 2024 – Investing in Leicestershire Programme Annual Report <https://cexmodgov01/ieListDocuments.aspx?CId=137&MId=7446>

Scrutiny Commission – 27<sup>th</sup> January 2025 – Medium Term Financial Strategy 2025/26-2028/29 <https://cexmodgov01/ieListDocuments.aspx?CId=137&MId=7832>

County Council – 19<sup>th</sup> February 2025 - Medium Term Financial Strategy 2025/26-2028/29 – IILP Strategy 2025 - 2029

<https://cexmodgov01/ieListDocuments.aspx?CId=134&MId=7391>

## **Circulation under the Local Issues Alert Procedure**

None.

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**Appendix**

Investing in Leicestershire Programme Annual Performance Report for 2024/25

# Investing in Leicestershire Programme

ANNUAL PERFORMANCE REPORT  
2024 - 2025



# INTRODUCTION

The Council first established an investment portfolio in 2014 with a view to it generating additional funding to improve financial resilience thereby supporting the continued delivery of essential quality frontline services.

From an initial investment of £15 million together with the industrial and farms properties held by the Council (valued at £40 million in 2014) the portfolio has grown to its current value of £292 million by the investment of a further £149 million in both direct and non-property investments , including a number developed on sites held by the fund.

In 2023 the fund was rebranded as the Investing in Leicestershire Programme (IILP) adopting its current strategy of focussing future investment in areas that addressed social and economic market failure whilst continuing to maximise financial returns from its assets.

The management of the portfolio is overseen by an Advisory Board and as part of its agreed governance an Annual Performance Report is produced each year. This the eleventh annual report sets out the overall performance of the IILP during the 2024-25 financial year providing details of its current investments and in respect of the direct property portfolio a detailed comparison with the wider real estate investment market. Further it reviews progress in respect of major projects and the future potential of the portfolio to enable the continued delivery of an ongoing income stream and capital receipts vital to the delivery of frontline services whilst continuing to support job creation and economic growth across Leicestershire



## SUMMARY

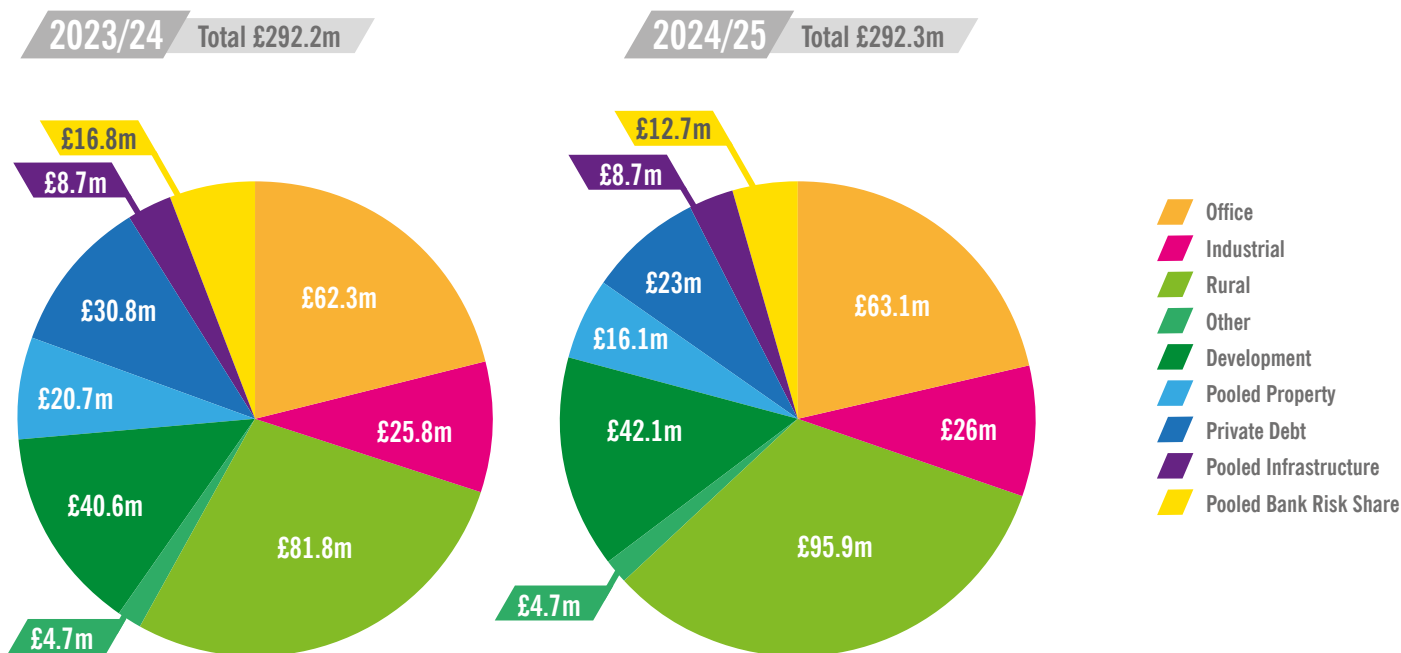
This report forms the annual review of the Investing in Leicestershire Programme (IILP) portfolio, reporting on performance for the year to 31st March 2025.

The IILP has continued to contribute to the economic, social, and environmental wellbeing of the people of Leicestershire; making a significant contribution to the Council's Strategic Plan. The income generated by investment in high quality assets provides increased financial resilience and underpins the Council's ability to deliver a comprehensive range of quality services now and in the future.

The annual report examines the development and performance of the overall portfolio, the potential of the future investment programme to deliver enhanced returns and the outlook for the wider investment market and how it might impact on the future investment strategy.

### TOTAL VALUE BY SECTOR (as of 31st March 2024)

### TOTAL VALUE BY SECTOR (as of 31st March 2025)



As of 31st March 2025, the capital value of the portfolio, including the let areas of County Hall (currently managed alongside the portfolio), totalled £292.3 million compared with the value as of 31st March 2024 of £292.2 million. The opening and closing valuations were calculated based on a combination of internal and external asset valuations, with external valuations being undertaken in 2024-25 for the entire direct portfolio.

Looking ahead, the IILP is well-positioned to capitalise on emerging opportunities and deliver enhanced returns. Our strategic focus will remain on sustainable investments that drive economic growth, social development, and environmental sustainability.

## Financial summary

|                                       | Value on<br>31st March<br>2024 (£m) | Transactions         |                                 |                              | Valuation<br>Change<br>(£m) | Value on<br>31st March<br>2025 (£m) | Net<br>Income<br>(£m) |
|---------------------------------------|-------------------------------------|----------------------|---------------------------------|------------------------------|-----------------------------|-------------------------------------|-----------------------|
|                                       |                                     | Acquisitions<br>(£m) | Net<br>Capital<br>spend<br>(£m) | Sales &<br>Transfers<br>(£m) |                             |                                     |                       |
| Office inc County Hall                | 62.3                                |                      | 0.2                             |                              | 0.5                         | 63.1                                | 3.8                   |
| Industrial and<br>Distribution        | 25.8                                |                      |                                 |                              | 0.2                         | 26.0                                | 1.2                   |
| Rural                                 | 81.8                                |                      |                                 |                              | 14.1                        | 95.9                                | 0.1                   |
| Other Property                        | 4.7                                 |                      |                                 |                              |                             | 4.7                                 | 0.2                   |
| <b>Sub-Total Managed<br/>Property</b> | <b>174.7</b>                        |                      | <b>0.2</b>                      |                              | <b>14.8</b>                 | <b>189.7</b>                        | <b>5.4</b>            |
| <b>Development</b>                    | <b>40.6</b>                         |                      | <b>2.0</b>                      |                              | <b>(0.5)</b>                | <b>42.1</b>                         | <b>(0.3)</b>          |
| <b>Direct property</b>                | <b>215.3</b>                        |                      | <b>2.3</b>                      |                              | <b>14.3</b>                 | <b>231.8</b>                        | <b>5.2</b>            |
| Pooled Property                       | 20.7                                |                      |                                 | (5.1)                        | 0.5                         | 16.1                                | 0.7                   |
| Private Debt                          | 30.8                                |                      | 1.2                             | (6.2)                        | 0.4                         | 23.0                                | 1.6                   |
| Pooled Infrastructure                 | 8.7                                 |                      |                                 |                              |                             | 8.7                                 | 0.5                   |
| Pooled Bank Risk<br>Share             | 16.8                                |                      |                                 | (2.5)                        | (1.6)                       | 12.7                                | 3.4                   |
| <b>Total Diversifiers</b>             | <b>77.0</b>                         |                      | <b>1.2</b>                      | <b>(13.8)</b>                | <b>(3.8)</b>                | <b>60.5</b>                         | <b>6.2</b>            |
| <b>Total</b>                          | <b>292.2</b>                        |                      | <b>3.5</b>                      | <b>(13.8)</b>                | <b>10.5</b>                 | <b>292.3</b>                        | <b>11.4</b>           |
| <b>Additional<br/>Central Charges</b> |                                     |                      |                                 |                              |                             |                                     | <b>(2.8)</b>          |
| <b>Overall Total</b>                  | <b>292.2</b>                        |                      | <b>3.5</b>                      | <b>(13.8)</b>                | <b>10.5</b>                 | <b>292.3</b>                        | <b>8.6</b>            |

Notes: (i) All figures are rounded to nearest 0.1m. (ii) Opening valuation figure adjusted to include the valuation of the let areas of County Hall managed in conjunction with direct property portfolio since 2023.

As of 31<sup>st</sup> March 2025, the Programme held managed direct property assets of £189.7m, including the let parts of County Hall and development property of £42.1m; a total of £231.8m representing an increase of £16.6m on the previous year. The majority of this increase is attributed to the uplift in the value of the rural estate due to the generation of “hope” value, i.e. the potential increase in the value of the estate is based on the expectation of future development or changes in use.

The portfolio also includes external pooled property funds, private debt investments, pooled infrastructure funds and pooled bank share funds, collectively referred to as the ‘diversifiers’. The diversifiers have a total value of £60.5m, a decrease of £16.5m from 2023-24, largely as a result of capital repayments and disposals amounting to £14.9m.

The direct property portfolio delivered a strong return of 9.5%, outperforming the broader market's 7.7% Capital growth, underpinned continuing increase in hope value within the rural sector as the pipeline of potential development sites progress through the planning system, showed an increase of 6.6% compared to just 1.8% in the market. With the exception of industrial and distribution sectors, the other sectors compared very favourably with the wider market. The initial hardening of the market in the second half of the year was not reflected in the valuation. Consequently, the mid-year valuation timing caused a mismatch in capital values, as it did not reflect the market's subsequent rise later in the year. This led to differences in yield and valuation trends. However, as the market stabilises, these effects are balancing out, therefore while industrial assets showed lower growth this year, future performance is expected to align more closely with the market.

In addition to the normal sinking fund provision (central charge) that is applied to revenue in line with previous years, an additional charge of £2.8m has been made in the 2024-25 year in order to assist in meeting the sinking fund's target level. This charge recognises the prudence of building a provision for future maintenance or unforeseen costs. A sinking fund can be thought of as a savings account or contingency fund which ensures that there are funds set aside to cover one-off expenses required in the future to maintain the assets' capital value.

The LiLP also recognises potential bad debts and accounts for these in each financial year in line with the Councils policy for late payment for invoices. Once a bad debt provision is established by charging the profit and loss it is reassessed each year based on outstanding monies still to be received. The value held as a bad debt provision may fluctuate as income is received to clear debtor accounts. The assessment at the end of 2024/25 was that the provision did not need to be increased.

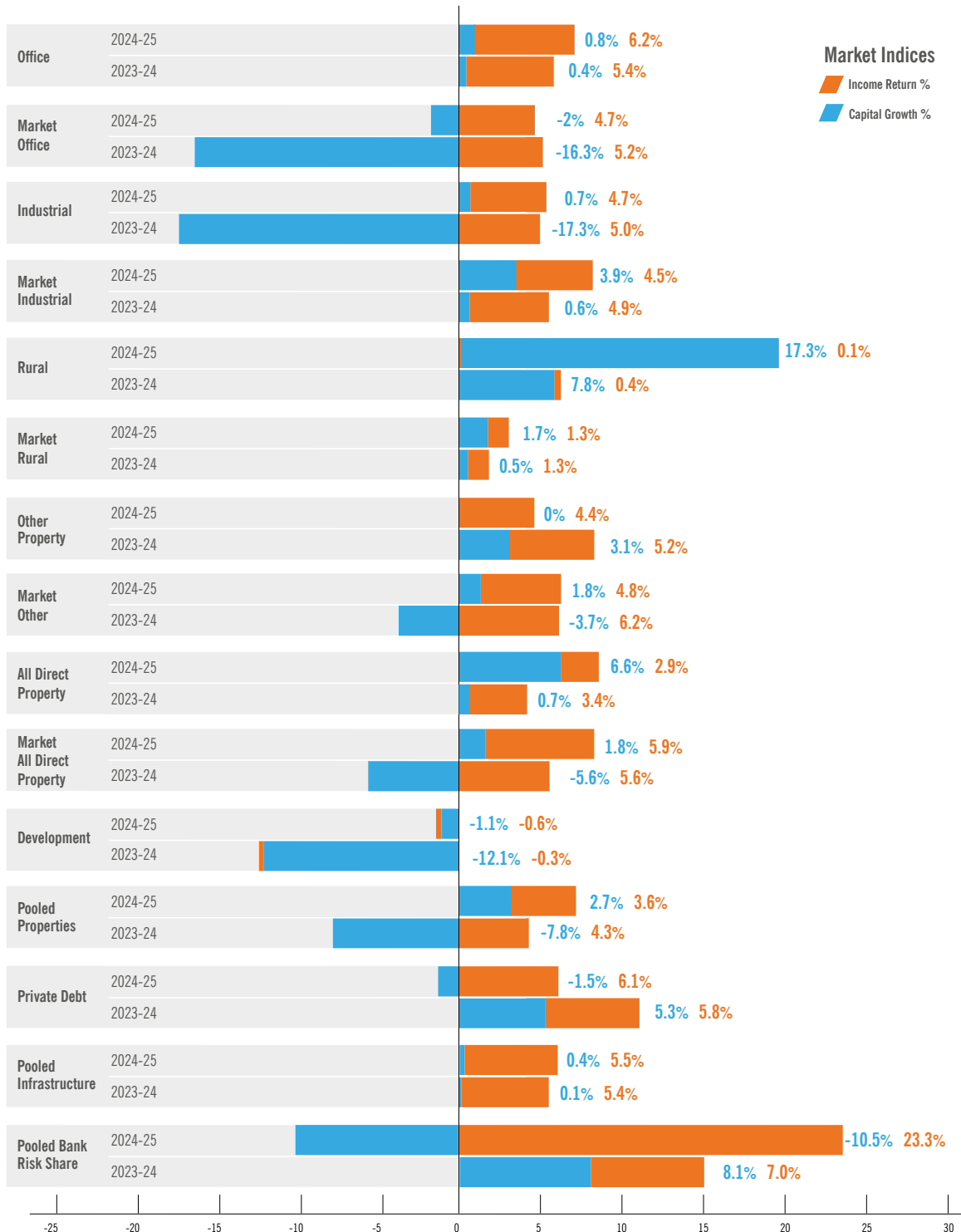
Net income also takes account of centrally incurred costs which are allocated to the main direct property sectors. These costs include employee costs, bad debt provisions and sinking fund contributions. The current target level for the sinking fund, to be built up over the period to 2027/28, is set at approximately £6m. This will be reassessed each year based on information regarding the assets within the Fund.

The net income from the direct property portfolio was £5.2m for the year. Together with the income from diversified investments, the total net income was £8.6 million, compared to £7.6 million in the previous year. The current year benefited from higher-than-expected income from the bank risk share investments within the diversifiers. For the year ended, the total portfolio generated a net income return of 2.9%, compared to 3.3% in the previous year. Excluding the Development and Rural assets, which are predominantly held for capital returns rather than revenue income, the equivalent figures are 5.4%.



# PERFORMANCE AND COMPARISON AGAINST INDUSTRY BENCHMARK

## PROGRAMME Performance





The Programme's benchmark is the "All Property" total return (capital growth plus income return) of the market benchmark monthly index. The total return for the portfolio for the year to 31st March 2025 was 9.5% compared to the target level of 6%.

The managed direct properties produced a total return of 11.6% which is well above both target and the market level of 7.7%. Importantly the fact that the property portfolio continues to be valued at 1st October each year will result in the assessment of the portfolios performance not being fully aligned with its benchmark, as the impact of yield changes in the second half of each year are not being reflected in values until the following year. Whilst the effect of this counterbalances over the longer term, as demonstrated by the returns over a 5-year period, at times of economic and market turbulence comparison with the market is difficult to assess accurately.

Accordingly, the managed direct property portfolio achieved an increase of 6.1% on the 2023-2024 year driven by higher than anticipated capital growth within the rural sector without which the managed direct property sectors would have achieved parity with the market.

- The office sector continues to perform consistently well against the market benchmark. Whilst producing a small capital growth of 0.8%, income return also outperformed the market at 6.2% delivering an overall return of 7.0% significantly better than the market return of 2.7% which continued to include negative capital growth with market values falling a total of more than 30% over the three year period of market correction. Net income rose by £0.3m to £3.2m over the year due largely to maintaining near full occupation of the major office assets.
- The returns from the combined industrial and distribution sectors were 5.4% compared with the previous year at minus 12.3%. Whilst capital growth remained constrained at 0.7% against a market level 3.9% due in part to the nature of the properties within the portfolio values now appear to be stabilising following the market corrections of late 2022 and 2023. However, the income return of 4.7% aligned with market levels.
- The rural sector achieved an overall return of 17.4% in 2024-2025 compared to the market level of 3.0%. Whilst the income return of 0.1%, impacted by the changes in valuation methodology introduced in 2022, and a substantial contribution towards the sinking fund, was again below the market level of 1.3%, capital growth of 17.3% accrued as the value of land within the future development pipeline increased in value reflecting its future development potential. Agricultural land prices are by their nature less volatile than other sectors, however, in recent years there has been strong growth in freehold values over the year as a result of investors recognising that it represents a "safe haven". This trend has slowed and with an increased supply prices have stabilised.
- The small alternative or other property sector produced a return of 4.4% slightly below market levels. However, the sector provides a stable income; the portfolio holding a mixed range of assets within this sector, including a car dealership in Leicester city, a petrol filling station in Loughborough and a supported education school which overall makes it less vulnerable to market volatility.

- The performance of the development sector showed a significant improvement on 2024-25 but still delivered a negative return of minus 1.7% compared to the previous year when economic conditions caused the market correction experienced by other sectors resulting in an overall negative return of minus 12.4%. The Lutterworth East development site remains the single most valuable asset within the development portfolio. Whilst capable of achieving significant capital growth, development properties are unlikely to generate than nominal income during the development phase. It is therefore normal that the cost of planning and promoting schemes will exceed any income received and consequently an anticipated small revenue loss resulted in an income return of minus 0.6%. It is anticipated that the sector will show positive returns as in future years as further developments are completed and other sites brought forward for disposal with the benefit of planning permission thereby generating either rental income or capital receipts.
- The pooled property investments are spread across four separate investment managers. A total of £25m was invested between 2015 and 2019. A 3.6% income return was welcome and ahead of budget, capital values across the pooled property estate did firm up over the year with a £0.5m increase after the fall in capital values experienced during the previous year when the effect of rising interest rates fed through to property valuations which had already suffered in the previous year when Bank of England base rates rose from 0.75% in April 2022 to 4.25% by March 2023.
- The Lothbury property unit trust, one of the four pooled property funds is still in the process of being wound up with the majority of the holdings having been sold and capital returned to investors following an Extraordinary General Meeting (EGM) on the 28 March 2024. For clarity it is important to note that this winding up of a property fund is a forced sale over a period when property values have been depressed in comparison to the periods preceding the increase in the Bank of England's base rates. The forced nature of the sales means the liLP fund is not able to 'hold' the investment, collect the income and then choose when to exit. The overall expected capital loss (invested capital minus returned capital from asset sales) is expected to be £1.8m based on capital received to date and current valuation of the remaining assets. The total return including quarterly income distributions shows a positive return since inception, +0.4% (IRR, internal rate of return)
- The Fund invests in the Private Debt asset class via one institutional manager. The liLP has invested over a number of years in three different vehicles, starting with £20million in 2018 with further commitments being made in 2021 and 2023 to maintain exposure to this asset class as capital is returned. Private debt income returns were ahead of expectations in the year benefiting from the higher base interest rates that the underlying loans are linked to. The since inception internal rate of return (IRR) for three private debt investments were 5.1%, 6.6% and 9.6% respectively.



- The infrastructure investment is made via one manager. This is a globally diversified infrastructure fund investing in core assets. The assets are operational and provide a defensive focus. Investments in critical assets which are underpinned by long term contracts, supported by regulation in many cases and situated in developed markets are favoured. The in year net income was ahead of expectations. The Fund is denominated in USD with the quarterly income converted to GBP when received and carrying value translated to GBP. The carrying value of the investment in GBP is £8.7m and generated £0.5m income in 2024/25.
- The Fund has also invested in a bank risk share strategy in 2022/23. The total £15m was fully called by the manager by December 2022 with distributions commencing in January 2023. Income received during 2024/25 continued to be higher than originally expected due to the continued higher underlying bank base rates and the favourable market conditions when the manager was completing deals in 2022/23 which led to better priced deals. The interest rate conditions over the last two years which were unfavourable (higher for longer bank interest rates) for many investment sectors have been a positive for this diversifying investment. A net income of £3.4m was received in the year, well ahead of expectations. The excess net income for the liLP compared to the budget allowed for a sizeable acceleration in the build up of the sinking fund during the year. This investment, which has a fixed life has also started returning capital and work is underway to replace the exposure subject to approvals.
- Diversifier investments had a net return of capital in the year of £12.7m reflecting the return of capital from pooled property and private debt investments. The exposure to diversifiers has reduced as a percentage of the total liLP portfolio as a result over the year from the target allocation of one third. Plans are in place to replace diversifier exposure through 2025/26.



# ANNUALISED RETURNS

## Total Direct Property Portfolio

|                            | 2024-25 | 3 year | 5 year |
|----------------------------|---------|--------|--------|
| <b>Net Income Return</b>   | 2.9%    | 3.6%   | 3.6%   |
| <b>Capital Growth</b>      | 6.6%    | 12.9%  | 10.4%  |
| <b>Total Return</b>        | 9.5%    | 16.5%  | 14.0%  |
| <b>Total Market Return</b> | 7.7%    | 3.5%   | 4.4%   |

As the liLP has now been in operation for several years, the data for returns over the longer period better demonstrates the stability of the returns achieved by the assets in the portfolio by reducing the visible impact of any in-year peaks or troughs in performance.

Over the 3 year period including 2024/25, the total return of 16.5% was achieved against the market 3 year annualised returns of 3.5%; over 5 years, the market returns were slightly better at 4.4% still below that achieved by the liLP at 14.0%.

If the effect of the valuation methodology change within the rural sector in 23/24 is excluded, the total market returns still outperforms the market by a significant margin, at 6.4% over 3 years and 7.8% over 5 years.

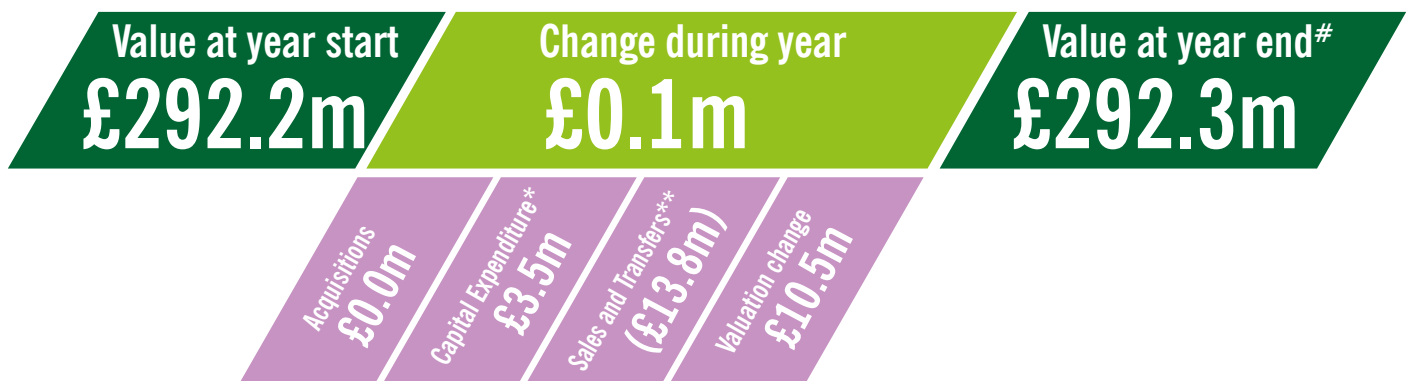




# CHANGES TO THE PORTFOLIO DURING THE YEAR

## Summary of Changes

During the year, the value of the portfolio, including the value of the let areas of County Hall, increased slightly from £292.2m as at 31st March 2024 to £292.3m as at 31st March 2025; the chart below setting out details of transactions and changes in valuation.



#Direct portfolio properties valued as at 1st October 2024.

\*This includes spend on farm estate buildings and the office and industrial properties.

\*\* This sum is solely return of capital to the fund from diversified investments.



# TRANSACTIONS THROUGH THE YEAR

## Direct property acquisitions

There were no property acquisitions during the year.

## Property Disposals

No property disposals were completed during the year. However, agreed sales to the value of £9.6m were carried over into future years of which £5.1m is due to be received in the current 25/26 financial year.

## Property Transfers

No direct property transfers have been made during the year.

## Diversifiers

No new diversifier investments were entered into during 2024/25. However, past investments in pooled property, private credit and bank risk share were returning capital throughout the year. In order to meet the investment strategy of holding around a third of total assets within diversifiers new commitments are planned pending formal due diligence and approval.

## Pooled Property

One of the four pooled property funds, Lothbury property unit trust was being wound down during 2024/25, as a result the lilP received £5.0m from property sales conducted by the manager. The Fund expects to receive the remaining capital during 2025/26.



# PORTFOLIO REVIEW

## Yield

The yield from the direct managed portfolio is 4.5% (4.0% in 2023) somewhat below the market benchmark national figure of 5.6%; the portfolio's overall yield being impacted by a low yield from the development assets which has a disproportionate sector weighting compared to other portfolios meaning that overall, the portfolio will likely always fall just below the benchmark until such time as those developments are completed and become income generating or are released from the portfolio.

## Sector Proportions

With no direct property transactions during the year only movements in value, particularly in respect of the rural sector, have resulted in further shifts in the sector weightings as illustrated earlier in the report. However, the reduction in the value of the Diversifier portfolio has resulted in a shift in the balance between the two areas of investment with direct property increasing from 73% to 79%; the previous weighting between the two being considered appropriate in the Hymans Robertson Report of January 2024.

In relation to the direct property portfolio the long-term aim is to maintain a balance between sectors that reduces risk and maximises the potential for achieving financial resilience in the shorter term. In considering future acquisitions, the Programme will continue to focus any property purchases on assets that address market failure and provide wider economic and community benefits and the capability of contributing to the achievement of the County Council's strategic goals as well as delivering a long-term income stream, as set out in the IILP Strategy.

## Rent Reviews, Lease Expiries and Tenant Only Breaks

During 24/25 there were 10 rent reviews, 32 lease expiries and 11 tenant-only break options which fell due across the commercial property portfolio, of which one related to an asset earning in excess of £30k per annum; of these 10 rent reviews were concluded in the year, together with 6 lease renewals and 15 new lettings. Thirteen leases terminated during that timeframe and of these 8 units are currently being marketed, with the other 5 having been relet promptly. Consequently, whilst the vacancy rate increased slightly, the overall rent roll for the portfolio rose by £215k p.a. The negotiation of rent reviews and lease renewals forms part of normal day-to-day property management, however the particular circumstances of individual leases means that it is not always appropriate to action these immediately they fall due.

Following on from rent review notices served in respect of farm tenancies, 35 reviews have been agreed, with a further 4 remaining to be concluded. The total rental uplift across these agreements is £73,000 per annum (equating to 17% uplift overall).

## New Major Lettings

Over the 2024/25 year the following major new letting(s) or pre-lets were achieved:

**Ground Floor, Building 2, Lichfield.** Following the departure of the tenant in April 2024 a settlement was agreed in respect of dilapidations and a refurbishment program proposed which included for the subdivision of the building into two self-contained units; ground and first floor.

**New tenants were secured for the ground floor with occupation to commence following the completion of the refurbishment.** An agreement for lease was entered into in June 2024 with the new lease commencing in July 2025 following the completion of the works. The passing rent is £159,633pa.

## Future Investments

During 2024/25 funding of £62m was made available through the Medium-Term Financial Strategy (MTFS) 2024-2028 for additional investment. These funds were committed to the delivery of the following developments that will have the effect of further transforming the portfolio, achieving target rates of return, delivering additional income, and contributing to the realisation of wider strategic goals.

### Leaders Farm South, Lutterworth

#### Background

This site formed part of the County Farms portfolio and was identified as having possible office and industrial development potential some years ago.

Following extensive marketing of the site demand has been identified for roadside and storage uses.

Two major roadside food and drink retailers expressed an interest in a parcel of land, extending to 1.6 acres at the north-western corner of the site. Whilst a departure from the Local Plan, because of a lack of demand for the Class B1 – office uses, the prospective tenants have been successful in securing planning permission for the proposed drive through units.

The drive-through units will generate an income of £190k pa. The planning consent required some s.278 highway works. A contractor has been procured to build the new units. It is anticipated that the works will commence Q3 2025

The future development of the balance of the 6.1-acre site is now being reviewed. There is interest for Light industrial/ Distribution use. However, this would be a departure from the current local plan. If the County Council is successful in obtaining planning for the employment units, they are projected to generate a rental income of circa. £550k pa. The overall construction cost is projected to be in the region of £6m (excluding the £2.5m already spent on the estate roads and services) giving an expected income return of c.6.2%.





## Airfield Farm Business Park (Third & Final Phase)

### Background

Following completion and the successful launch of Phase 2 of the new industrial development at Airfield Farm Business Park, planning consent was granted in July 2024 and building began in December 2024 for a 105,794 sq. ft. development on 7.69 acres of the site; 102,194 sq. ft for E class light industrial units (formerly known as B1 use) and 3,600 sq. ft for two Drive-thru units (Sui Generis). The layout incorporates a 60,000 sq. ft unit, a 14,000 sq. ft, two Drive-thru units, EV Charging bays and a range of starter and grow on units of between 1,500 sq. ft and 10,000 sq. ft being those elements of the original proposal for which there is a strong market demand and remain viable.

A pre let agreement has been completed for the 60,000 sq. ft unit. Other units totalling 19,000 sq. ft are under offer, as are one of the Drive Thru units and the EV Charging bays.



## Solar Farm Development, Quorn

### Background

The proposal, approved in 2024, sets out plans for a 10MW solar farm on County Farms land at Quorn. Over the past year, various delivery options were considered. Due to limited resources and the need to comply with planning consent and meet the grid connection deadline, the opportunity was marketed for a freehold sale. The sale was successfully completed in April 2025, and the new owner has now implemented the planning consent and aims to have the solar farm up and running by the end of the year, with the balance of the capital receipt payable on connection to the electricity grid.

## Development Sites

The Fund holds a number of assets within the portfolio that have been expressly retained or purchased with a view to realising their development potential in order to realise capital receipts or wider finance benefits to support the Council's capital and revenue programmes.

### Lutterworth East

The allocation of the East of Lutterworth SDA comprising 2,750 dwellings, 23 hectares of B1, B2 and B8 employment land, a community hub, two primary schools, 110 hectares of open space including a country park together with substantial highways infrastructure was secured as part of the Harborough Local Plan which was adopted on 30th April 2019.

A hybrid planning application (in outline for the residential and commercial development and in detail for the spine road and other highways infrastructure works) was considered by Harborough District Council's Planning Committee on 28th July 2020. The planning committee resolved to grant planning permission subject to conditions and the completion of a section 106 Planning Agreement.

The Section 106 Agreement was completed, and the decision notice issued on 17th May 2022, however, University Hospital Leicester lodged an application to seek a judicial review of the district council's decision. After an appeal, their challenge was dismissed.

A review of the site was undertaken in 2024, with some initial soft market testing, recognising how the context for the proposed development has changed since the application was submitted in 2019. The impact of COVID on where people work (less office space needed) and escalating costs due to build cost price inflation as well as the lack of grant funding. This has made the scheme challenging to the market to deliver in its current form due to the high levels of upfront infrastructure costs of approximately £140m required to bring the scheme forward.

As a result of this work a viability assessment was submitted to Harborough District Council providing a case to reduce the percentage of affordable homes on the site in order to improve the schemes viability. Productive discussions took place with the planning officers at Harborough District Council in order to find a way forward to improve the scheme's viability and to ensure that the district benefits from the delivery of houses that it had provided for in its Local Plan. Subsequently two applications were submitted to Harborough District Council. The applications focused on the review of the level of affordable housing, being reduced to a minimum of 10% (subject to a viability assessment on each of the four residential phases) and the size restrictions on the B8 units to the south of the site.

These applications were approved at the planning committee (3rd December 2024) and have significantly improved the sites viability. It is anticipated that the southern area of the site, designated for B8 distribution, will be offered for sale to the market in the final quarter of this year. This will provide capital income that will facilitate the initial phase of the highway's infrastructure making the residential site more attractive to potential delivery partners.



## M69 Junction 2 – Stoney Stanton

Following the Cabinet decision in March 2020, work has been progressed on the promotion of 103 acres of County Council land as part of a larger residential-led mixed-use development of up to 5,000 houses. Working in collaboration with other landowners and their developer partners, submissions have been made to Blaby District Council's 'Call for Sites and Issues and Options' consultation and work is ongoing to provide the necessary evidence base to support the sites allocation as part of the emerging Blaby District Local Plan.

The local plan process has been significantly delayed with the result that the Regulation 19 Pre-Submission consultation is not now likely to take place until the end of 2025 pushing the likely date of adoption back to 2027. Subject to the scheme being included as a proposed allocation in the Pre-Submission Draft, it is currently proposed that an outline planning application be submitted in advance of the Examination in Public. The timing of surveys and site investigations is now being geared to the revised timetable with an Environmental Impact Assessment Scoping Request submitted to Blaby District Council in June this year.

In addition, following negotiations with Stoney Stanton Parish Council a land exchange has been agreed which secures the land necessary to provide highway improvements that will divert traffic away from the village centres of Stoney Stanton and Sapcote and provides the parish with additional playing fields and informal open space.

Throughout the process, the Landowner Consortium has engaged with Blaby District Council, key stakeholders, and the local community, including the establishment of a community liaison group the feedback from which is being used to help shape the master planning of the scheme.

## Other potential sites

A further pipeline of development sites is being brought forward on an ongoing basis largely through the local plan process, by their submission to Call for Sites consultations at the start of the plan review process and thereafter by making appropriate responses to the further consultations. By securing future local plan allocations, investment returns, and a stream of capital receipts will be maintained.

In addition to potential residential and employment opportunities, sites with potential to support the delivery renewable energy infrastructure or biodiversity gains are also being identified and could potentially form an integral part of the pipeline of future sites.

## Voids

Despite leasing over 42,801 sq. ft. of office and industrial space during the year, the level of unoccupied units increased by 16,529 sq. ft. illustrating the continued turnover of units, with less space being leased out than returned by tenants. The overall voids level across the portfolio in 2024-25 was 5.6% (40,623 sq. ft. in 25 units) of core direct net floor area.

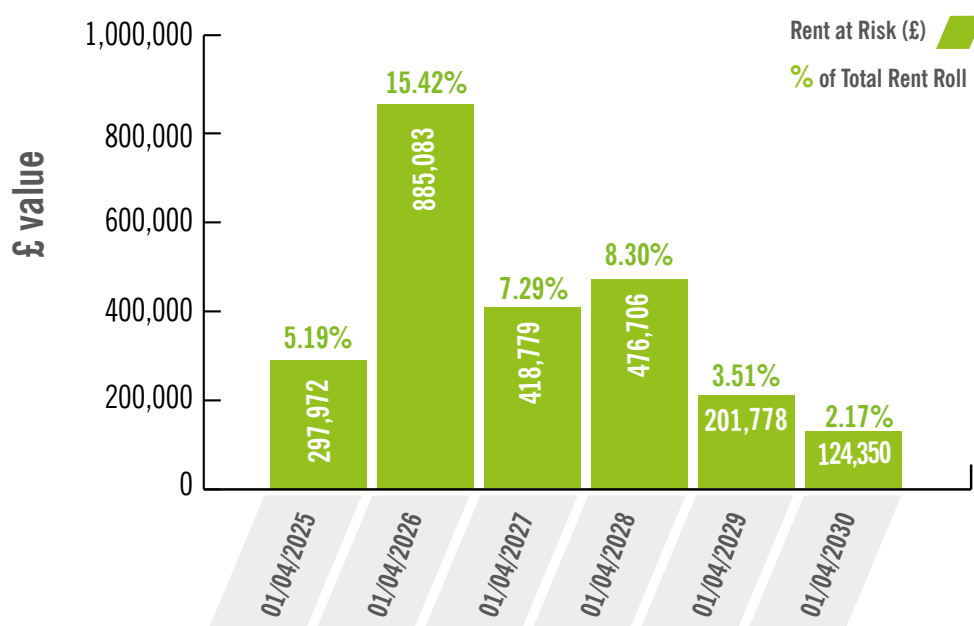
Continued strong demand for leases continues to suggest that the relatively low level of voids can be maintained.

## Rent Arrears (Direct Portfolio)

As of 31st March 2025, total 90-day debt amounted to £981,000, equating to 11.1% of gross portfolio income, a fall of £60k (5.7%) on the previous year and although systemic debt, which is taken into account in determining the level of funding held in the bad debt provision, remains higher than desirable having built up over several years, rent collection remains in line with wider industry performance especially during the ongoing turbulent economic conditions with over 86% of rural rents and 82% of industrial and office rents collected on time for Q4. Payment of all outstanding debts is being actively pursued through debt management procedures. Further, no debt is written off until such time as all avenues including court action have been fully exhausted which account for its current level.

## Lease Expiry Profile (Direct Portfolio)

The table below illustrates the profile of rents receivable from leases expiring in each year within the portfolio over the next 7 years both in terms of rental value and a proportion of total rental income. Where a tenant has an option to break within a lease, the worst-case scenario that the tenant will exercise such an option is assumed, whereas in practice it is likely that not every tenant will elect to do so.



The largest figure in the table above, and presenting the greatest risk to the portfolio, relates to the 2026 financial year when two leases at Embankment House, Nottingham and 6 of the 17 leases at Apollo Court, Coalville expire. In accordance with usual practice, a policy of early engagement with tenants is pursued with a view to agreeing lease renewals in advance of the termination date.

# PROPERTY INVESTMENT MARKET REVIEW

## Economic Conditions<sup>1</sup>

UK gross domestic product (GDP) is estimated to have grown by 0.7% in Quarter 1 (Jan to Mar) 2025, with a further rise of 0.3% in Quarter 2 (Apr to June), unrevised from the first estimate. In output terms, growth in Quarter 2 2025 was driven by an increase in the services and construction sectors, however production fell by 0.3%. In expenditure terms, growth in the latest quarter was driven by increases in gross fixed capital formation, net trade and household consumption. However, monthly real gross domestic product (GDP) is estimated to have fallen by 0.1% in May 2025, following a fall of 0.3% in April 2025 leading to fears that the economy will have shrunk in Q2 2025.

The unemployment rate stood at 4.7% at the end of Q2, up from 4.3% a year ago whilst the number of job vacancies and people employed continues to decline. In addition, at 5.6%, regular wage growth remains stubbornly high.

CPI inflation rose to a 18-month high of 3.8% in July and is expected to remain above the Bank of England 2% target until at least 2026. House prices and rents continue to rise while mortgage rates have fallen slightly over the past few months. The combination of expected economic weakness, above-target inflation and strong wage growth leaves the Bank of England in a difficult position, suggesting it will continue with its gradual approach to cutting interest rates; the Bank Rate currently standing at 4.25%.

## Economic Outlook

Latest HM Treasury consensus forecasts predict growth of 1% this year and 1.1% in 2026. The IMF is more optimistic and believe UK GDP growth will improve from 1.2% this year to 1.4% in 2026.

<sup>1</sup> The information contained in this section of the report has been sourced from published central government data and research documents and news releases published by leading property agents including Colliers International, Savills and Lambert Smith Hampton.

## Investment Market

While some European markets have recorded an increase in investment volumes in Q1 2025, the UK witnessed a decline from £16.1bn in Q4 2024 to £9bn and was 36% below the five-year quarterly average. The Q1 figure marked the weakest quarterly total since Q4 2023 and affected all the regional markets across England whilst Scottish markets saw a modest increase in investment. The most sought-after sector was offices, accounting for 25% of all investment volumes. Apartments including PBSA (21%), industrial (19%), retail (15%), and hotels (6%) follow. Despite the weak start to the year there are some signs the investment market that the investment market will show an improvement in H2 2025.

Property capital values have continued to recover as equivalent yields fell for the second consecutive quarter during Q1 2025 following ten consecutive quarters of increases.

## Property Market Forecasts

The outlook for the commercial real estate sector remains uncertain. However, rising capital values, less restrictive access to commercial finance, optimism in the latest market survey results and further anticipated interest rate cuts all indicate that the conditions exist to deliver a sustained recovery. Nevertheless, it is still anticipated that annual investment volumes in 2025 could still be below those of with the uplift coming in 2026. Whilst interest rates may end the year at 3.75% the potential for yield compression will be constrained by the lack of movement in gilt yields which are not expected to move significantly this year. At the All-Property level, forecasts predict that equivalent yields will fall by 0.25% over the year to 6.37% with further moderate declines expected over the remainder of the period to 2029. The property yield/gilt spread narrowed to a 17-year low of 2% in 2024 and it is considered possible that contract further in 2025 before widening again in 2026.





The recovery in capital values is likely to be modest by historical standards, with growth of 5% expected in 2025 before slowing over the following 4 years with anticipated growth over the period to 2029 averaging 3.4% per annum. Sustained positive income returns and an improvement in capital values will result in positive total returns growth of 9.8% at the All-Property level in 2025, before reducing to 8.4% in both 2026 and 2027 reflecting the slowing in capital growth. Over the period from 2025 to 2029 Shopping Centres (10.9% per annum) and Retail Warehouses (9.4% per annum) will see the strongest growth in total returns as a result of solid income returns.

It is predicted that investment volumes are likely to remain weak in the coming months with liquidity in the market only returning as interest rates and debt costs reduce further. With a slowdown in construction activity coupled with signs of downward pressure on vacancy rates and sustained rental growth for prime assets the office market should become more attractive. There are indications that yields have started to stabilise across most sub-markets, but it is considered that yield compression will be constrained due to debt costs remaining higher for longer than originally forecast. However, as initial market data for Q1 2025 show significant yield shifts it is predicted that yields will fall by 0.35% in 2025. Thereafter, it is expected that yields will continue to slowly compress further over the next few years. Prime rents should see further rises due to the now more limited supply of high-quality space. However, secondary and lower quality office rents are likely to see very limited growth. Forecasts predict that average rents across all offices will increase by between 2.5% and 3% in 2025, before slowing to 2.2% and 2% in subsequent years.

Total returns across the office sector are predicted to be 7.7% in 2025 as capital values recover and are forecast to average 6.7% pa over the period to 2029.

Industrial investment volumes fell markedly over Q1 2025 and at £1.7bn were 50% below the 5-yearly quarterly average. Average yields appear to have stabilised but remain nearly 2% above 2022 levels. Currently most investors are targeting Core+ and Value-Add strategies, focusing on assets offering near-term reversion, whether through rental growth or asset repositioning, particularly for assets located in prime locations. In general, the sector performance is improving and forecasts suggest that total returns will be in excess of 10% this year, moderating to around 8% in 2026. As is the case with all the other sectors, yield compression will be somewhat limited as borrowing costs remain higher for longer than previously anticipated. Occupier demand is currently much reduced as companies delay expansion plans amid economic and geopolitical uncertainty; demand focusing mainly on high quality new build space. This has resulted in an increased level of available space and a consequent fall in the level of new starts stabilising the market over the next year.

Rents are forecast continue to rising over the next 5 years although the rate of growth will slow further falling to between 3% and 4% per annum from the exceptionally strong rates recorded during 2021 and 2022.

In common with other sectors quarterly investment volumes across the retail sector slowed in the Q1 2025 from the Q4 2024 three-year high of £3bn with total transactions 30% below the five-year quarterly average of £2bn. Retail parks continue to be in high demand with the potential for further yield compression following reported falls of 0.35% over the past 12 months and a further modest reduction in Q1 2025.

Despite unfavourable economic conditions a modest increase in retail sales is predicted for 2025 and with online sales stabilising at 2023 levels physical shopping still accounts for over 70% of the market.

However, with a number of significant retailers going into administration releasing a large number of properties to the market data for Q1 shows vacancy rates across high street shops rose with retail warehouses and supermarkets recording record or near-record vacancy rates although shopping centres experienced an increased take up of space.

The market readjustment that led to negative rental growth in the years between 2018 and 2022 meant that All Retail rents have risen at their highest rate since 2005 over the past 2 years.

It is expected that retailers will continue to re-focus on physical stores for the immediate future resulting in rental growth at the all-sector level accelerating from 2% in 2024 to 2.7% in 2025 with. Standard Retail – Central London (+4.5% pa) and Retail Warehouses (3% pa) seeing the strongest growth over the 2025-2029 forecast horizon. With strong income returns and solid capital growth All Retail total returns are expected to be c. 12% in 2025, driven by Retail Warehouses at an estimated 13.5%. Total returns are then expected to stabilise at around 8% per annum.

Rural Property remains a safe haven for investors. Income returns of c.1.3% are forecast to be maintained over the period to 2029. Although subject to regional variations overall modest increases in capital values are forecast to be maintained over the period to 2029 following an initial period of readjustment in the current year; the focus on properties offering further long term capital growth through the realisation of development potential. However, following the increased supplies of land on the market in 2024, as a result of investors moving back into other sectors or forced sales as farmers faced increasing financial pressures, the supply has significantly fallen in H1 2025 as the farming industry takes stock following the IHT reforms thereby stabilising the market.

Sales volumes and the general performance of the alternative sector in 2024 mirrored that of the market generally; a trend that has continued into 2025. The investment market in this sector has generally been subdued being affected like the other sectors from the weak economic outlook, combined with higher than anticipated interest rates and the slower than expected fall in the cost of debt. The strong demand for investments in segments such as student accommodation which peaked in H1 2022 has declined sharply since with the level of transactions in Q1 2025 remaining below the 5-year quarterly average. Following the increase in yields of more than 1% over the period since H2 2022 rates have now stabilised providing the prospect of future capital growth which coupled with strong income returns will deliver positive overall returns.

In common with the market in general it would appear that the market for pooled property investments is also beginning to stabilise following significant falls in value and negative returns over recent years. However, the level of returns going forward are likely to remain modest even as the wider economy recovers making other alternative investments more attractive.



## Investment Strategy Update

The Portfolio Management Strategy for 2025 to 2029 is aimed at supporting the development of the Portfolio to further enhance its contribution to the delivery of strategic goals whilst continuing to improve the Council's financial resilience as demand on services and operating costs continue to rise. It outlines how the Council will look to direct investments during this period developing the Portfolio to address areas of specific economic or social market failure and how it will manage these to help achieve the strategic priorities of the Council.

The Strategy is an integral part of the Council's Medium-Term Financial Strategy (MTFS) and intrinsically linked with the Corporate Asset Management Plan (CAMP) and the Treasury Management Strategy and Annual Investment Strategy and it should be read in conjunction with these documents.

The specific aims of this Strategy are to ensure investments funded or held in the Portfolio:

- Support the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan, and the County-wide Local Industrial Strategy.
- 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.
- Maximise returns on Council owned property assets.
- Supports the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
- Maintain a diverse portfolio of energy efficient and sustainable direct property and other investment assets which support economic growth and environmental sustainability.
- Support the Council's strategic objectives by working with partners to maintain momentum in the development of strategic sites and renewing existing employment sites and premises where there is demand thereby addressing areas of market failure.
- Contribute towards the development and implementation of a Net Zero Carbon 2030 Plan for the Council by reducing demand for energy and increasing the generation and use of renewable energy.
- Channelling new investment into schemes that:
- 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.
- Manage investment risk by investing in diverse sectors.
- Support the Council in maximizing the benefit from its financial assets in a risk aware way (not including standard treasury management activity)

The implementation of this strategy coupled with robust performance monitoring measures will ensure that the portfolio operates effectively and delivers value for money.

The Programme's strategy continues to be reviewed annually, and an updated strategy will be incorporated within the Medium-Term Financial Strategy which will be considered by Cabinet and full Council later in the year.

## Rural Estate Management Review

- **Rent reviews 2024** – 14 notices were served for autumn 2024, with one exception which is linked to a lease renewal, these have all been agreed achieving a rental uplift of £60k (29%)
- **Rent reviews 2025** – 39 notices were served for spring 2025 of which 35 have now been agreed, achieving £73k rental uplift (17%). The remaining four remain with the Council's agents to be concluded.
- **Ongoing reviews** – internal review of the rental levels, tenancy agreements, etc. concluded that there is no scope for further notices to be served for autumn 2025, or spring 2026. Where rent changes are anticipated, these are linked to tenancy renewals.
- **Lease renewals September 2024** – all leases have now been agreed with a rental uplift of £15k, which equates to 30% increase achieved.
- **Health & Safety and Compliance** – a concerted investment of time and management has been made by the Rural management team, to complete a full audit of the Council's records. The team are developing a plan of action, which will ensure the Council is up to date with its statutory compliance obligations. It will involve a programme of works to ensure that all aspects of statutory compliance are at a satisfactory level within 2 years, projected to cost c.£860,000 funded from a combination of revenue budgets and sinking funds held by the IILP for such purposes. Alongside this, further work is progressing with the Corporate Health & Safety team to identify any additional requirements beyond statutory compliance matters.
- **Outstanding rent** – working with colleagues in EMSS and Legal Services, the levels of arrears has decreased by over £130k (vs the 2023 baseline) and a clear management policy is now in place to ensure that consistent action is taken, and issues are identified and addressed early. Legal action has been initiated against a number of debtors, with bankruptcy and possession proceedings being required in the most serious cases. It is anticipated that 2025/26 will bring substantial reductions in the legacy debt as legal actions take effect.
- **Documentation** – work is ongoing to address the issues of missing or incomplete documentation with a further 36 new tenancy agreements and 6 updated licence agreements have been issued. On completion of these, all live agreements will have appropriate documentation in place.

- **Inspections** – the annual inspections process is now embedded in normal management, with a particular focus on repairs and maintenance in the current year.
- **Repairs & maintenance** – following on from the annual inspections, work is now commencing to build up a comprehensive planned maintenance programme.
- **End of tenancy compensation** – along with reminders to tenants of the statutory protocols for tenancy compensation, work has been ongoing to collate and formalise agreements for improvements already in place to ensure accurate records are held.

## Rural Estate Strategy

The overarching strategy for the Rural Estate for the period from 2025 to 2040 is currently being developed and will be subject to consultation with both internal and external stakeholders, including elected Members, over the coming months.

The Strategy will align with both the Council's Strategic Plan and IILP programme and confirm how Leicestershire's estate operates within a framework of national legislation, policies and agricultural markets, all of which should shape and influence how the estate is managed. The strategy will set out the vision, ambitions, challenges and opportunities for the estate for the next 15 years and will detail a comprehensive restructuring and investment programme in order that the estate can be resilient to future economic and structural changes within the industry whilst continuing to deliver positive financial benefits to the County Council. In addition, the strategy will detail how the estate will be managed in order to ensure that its implementation is both efficient and effective, and achieves value for money.



## GLOSSARY

**90 Day Debt:** For LCC KPI purposes, debt over 90 days past due is performance benchmarked.

**All Property Yield:** All Property Yield is the calculation of the Yield (defined below) across all property asset classes (i.e., a portfolio yield)

**Bad Debt:** Bad debt is taken as any debtor account (most likely rent) which has remained due beyond 6 months. A bad debt provision is held against the debtor sum, and when the debt is cleared the provision is credited back to the revenue account.

**Capital Growth:** Capital Growth is the increase of the capital value, net of capital expenditure or income expressed as a percentage of capital employed.  $(\text{Closing Value} - \text{Opening Value} - \text{Capital Expenditure} + \text{Capital Receipts}) / (\text{Opening Value} + \text{Capital Expenditure})$

**Diversifiers:** This describes investments which are not directly owned properties within the Leicestershire boundaries. As a result they are not subject to the same risks as directly owned property. The investments are made subject to the investment strategy for the liLP which was last updated in early 2024. The current investments include UK diversified commercial property and are accessed by investments in institutional property funds, global private credit funds which provide finance to corporate borrowers for a fixed term and global infrastructure funds where the underlying holdings include ports, toll roads and renewable energy assets.

**Lease Expiry:** Most commercial and agricultural leases do not automatically terminate on expiry but continue to “hold over” with the tenant bound to perform the obligations of the lease. There is no specific requirement to renew the lease, but the tenant usually gains a more flexible position in respect of notice to quit provisions. The Landlord remains bound by statutory restrictions on termination such as grounds for notice or time limitations.

**Net Income Return:** Net Income Return is the net income receivable expressed as a percentage of capital employed. This differs from the Initial Yield as it considers costs of ownership, including capital expenditure.  $(\text{Net Income}) / (\text{Opening Value} + \text{Capital Expenditure})$ .

**Rent Review:** Commercial and agricultural leases usually allow for periodic review of rents. Most commonly on a 3 year cycle, the rent due is reviewed by negotiation and reference to comparable rents or a statutory formula. Occasionally rents will be reviewed by reference to RPI or other inflationary measures, although these are less common for the types of assets held by liLP.

**Rent Roll:** The rent roll is the total annual income achievable by the property without deduction for rental allowances (i.e., rent-free periods) or other incentives, back-dated charges, premiums, or non-rental charges.

**Sinking Fund:** A sinking fund is an accounting device whereby funds are held on the balance sheet to offset or mitigate possible future costs incurred such as major incidents, significant revenue expenditure, etc.

**Total Return:** Total Return is the sum of the Capital Growth and Net Income Return.

**Voids:** Where commercial or agricultural property is vacant but physically capable of being leased or occupied it is classified as a void; property which does not meet statutory requirements for letting and is pending refurbishment, or unoccupied but leased is not included within the void figures.

**Yield:** Yield is the rental income expressed as a percentage of capital value.  $(\text{Rental Income}) / (\text{Opening Value})$ . In the context of this report, yield is used as a valuation comparator rather than solely as an expression of returns.





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## **SCRUTINY COMMISSION – 8 SEPTEMBER 2025**

### **EAST MIDLANDS SHARED SERVICES** **ANNUAL PERFORMANCE UPDATE**

## **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

### **Purpose of the Report**

1. The purpose of this report is to provide the Commission with a summary of the performance reported to the Joint Committee of East Midlands Shared Services for 2024/25 and an update on progress against strategic priorities in 2025.

### **Policy Framework and Previous Decisions**

2. In 2010, Nottingham City Council (NCC) and Leicestershire County Council (LCC) formed a partnership to share their HR, Payroll and Finance IT system and jointly deliver HR administration, payroll and finance transactional services.
3. In September 2010, the County Council's Cabinet agreed to establish a Joint Committee to oversee the operation of the Shared Service comprising elected members from both Councils. At officer level, each Council has a Sponsor, which at Leicestershire County Council is the Assistant Director of Finance, Strategic Property and Commissioning. These arrangements remain in place.

### **Background**

4. East Midlands Shared Services (EMSS) was created on 1 September 2012. The Employee Service Centre is based at County Hall in Leicestershire and the Finance Service Centre at Loxley House in Nottingham.
5. The Service operates on a shared IT platform. In 2018, the partner Councils procured a replacement system, Oracle Fusion, and commenced an implementation programme, 'Fit for the Future', across HR, Payroll, Finance and Procurement. The programme completed in March 2022 with the implementation of the new system across the two Councils and EMSS.
6. The Strategic Plan for EMSS is underpinned by three key themes: stabilisation, optimisation and development with the following priorities having been identified for EMSS:

- Deliver a great experience for all users, with systems and processes that are intuitive, easy to use, and digitally enabled. **(Customer)**
- Deliver quality, affordable services **(Operations)**
- A supportive and flexible work environment, encouraging creative problem solving, continuous professional development and career opportunities **(People)**
- Deliver value for money through improved systems, services and processes which support enhanced productivity and reduce overall costs. **(Finance)**
- Leveraging technology to deliver existing services securely and reliably and supporting improvement and growth within service areas. **(Technology)**
- Expand our customer and/or service portfolio. **(Growth)**

### **Performance Summary**

#### **Finance**

7. The overall outturn position for EMSS on 31<sup>st</sup> March 2025 (period 12) was £5.17 million, which represents an underspend of £478,000 (or 8.5%) against the approved budget for the year. This is reflected in salary underspends below.
8. It should be noted that included in the outturn is the 2024/25 agreed local government pay award. This totalled £177,000 and represented a £63,000 underspend against the approved budget provision.
9. The outturn for each service is explained as follows:
  - Finance Service Centre (FSC) - £68,000 net underspend. Key variances were an underspend on staffing due to maternity cover at lower spinal point and other staffing changes (£88,000) and slippage on delivery of Dialler System Debt recovery (£6,000). This is offset by costs of the paperless Direct Debit implementation incl. web forms (£18,000) and printing and postage charges (£8,000).
  - Employee Service Centre (ESC) – £150,000 net underspend. Underspend on staffing (£143,000) and savings on Engage subscriptions (£10,000), combined with increased income for DBS (£55,000), emergency payments (£6,000) and recruitment (£11,000). This is offset by overspend DBS subscriptions (£7,000), postage (£27,000) and debt write-off in relation to an academy (£31,000) and other minor variations (totalling £10,000)
  - Management & Business Development – £57,000 underspend on staffing costs including recruitment to Head of EMSS position at a lower grade
  - ICT On-going - £201,000 net underspend. Underspend on staffing as a result of managed vacancies and reduced overtime (£16,000) together



with reduced MSP contract costs (£64,000) and software license costs (£121,000) – latter reflects late issue of prior year credit notes.

- In recognition of the overall underspend position each partner has received a reimbursement of £239,000.

## Overall Summary

10. 2024/25 has been a year of significant change for EMSS. In August 2024 Elaine Simpson was appointed as the new Head of EMSS. Despite challenges in having only one permanent member of the senior management team in place the handover has been smooth, and performance maintained. In addition, many significant projects have been brought to a successful conclusion.
11. Suzana Lugonja was appointed to the role of Finance Service Centre (FSC) Manager and her previous post of Accounts Receivable Service Delivery Manager has also been successfully filled. The Employee Service Centre (ESC) has also delivered a consistent service despite significant vacancies in their management structure. Emma Sutton was confirmed as the new Employment Service Centre Manager and has also now completed her management team with two service delivery managers now in place. Despite some challenges the Team has continued to deliver a high-quality service as well as develop improved support for partners. The Business Development Team continues to deliver robust project and systems support to the service, without them many of the projects would not have been delivered; as well as ensuring that the core financial, HR and Payroll system is well managed for its users.
12. The EMSS 5-year strategic plan for 2025-2029 has been agreed by partners and can be seen in appendix A of this report. Within the plan is the Strategic Aim, projects, activities to support objectives, measures of success, timelines along with expected challenges and the required engagement from each partner. The plan demonstrates the services focus on continuous improvement and customer satisfaction.

## Growth

13. Following the bringing in house of outsourced sundry debt collection services, this service, through adopting a proactive approach has continued to deliver a reduction in the level of past due debt and late payments. These are reported regularly to key stakeholders.
14. In alignment with the strategic plan, EMSS has successfully expanded the transactional service offering by transitioning all LCC Adult Social Care debt recovery and debt resolution functions, from a partially outsourced model to a fully integrated in-house structure within the FSC, for a more inclusive service delivery. This re-structure was completed in August 2025.
15. During 2024/25 EMSS has led and managed a significant number of priorities and projects. They have been varied in their focus, size and complexity; but

overall have delivered efficiencies in the operational performance of the services. These projects can be seen in the table provided at the end of this report.

## Customers

16. The big development in customer service is the implementation of a new ticketing platform (Fresh-service) This went live in March 2025
17. Fresh-service is a cloud-based Software-as-a-Service (SaaS) IT Service Management solution that follows the ITIL guidelines and best practices with a simple user experience. It brings standard IT processes like Incident requests, Service Request, Problem, Project, Change and Release management together into one Service Desk. This will also allow the business to better manage service requests for the ESC and FSC. The system retains all the benefits of the old self-service access but also includes new functions such as project management.
18. It should be noted that in the year 2024-25 as a combined service the ESC & FSC processed just over 118,000 helpdesk tickets. It is really important to ensure that the systems in place can adequately filter, assign and manage the volume and variety of inbound queries received, in the most streamlined way possible.
19. Customer satisfaction rates remain difficult to measure, due to the low volume of feedback received. Currently all customers receive a request for feedback once their query has been resolved, however, less than 1% issue any feedback.
20. Customer satisfaction rates at the end of Q4 for 2024/25 was 64%. This represents customers who were happy or satisfied with how their query was resolved. Any unsatisfactory feedback is taken very seriously and investigated. The low customer satisfaction response rate does inflate the negative %.
21. Work to improve response rates has been ongoing, including simplifying the survey.
22. Of the small number in negative customer satisfaction responses received, these are predominantly the dislike of a self-serve culture being enforced on behalf of the Council
23. The service is able to manage such a high volume of inbound queries by ensuring the following is in place:
  - a. Ensuring guidance is in place for standard queries, with links to the guidance provided on all correspondence.
  - b. Increased canned responses creating a quick, accurate and uniform response for repetitive queries.
  - c. Automated redirection of queries to ensure specific subject headers are directed straight to the correct point of contact immediately.

- d. The availability of User Engagement sessions to ensure processes are demonstrated, as well as the impact of not following best practice being made visible. The opportunity to question any element of the process and gain a full understanding of what it requires is also encouraged.
- e. Query handling through the use of the Freshdesk system. Encouraging everyone to use the ticketed service where possible (to reduce general emails and phone calls)
- f. Establishment of Customer Boards for each service which examine in detail the performance of query management and target incremental month on month improvements.
- g. Full visibility of all stats and analysis that allows the service managers to understand where the success, demands and blockages are.
- h. Utilisation of technology to ensure resolutions are quick and automated where possible.

## Technology

- 24. EMSS is a service heavily reliant on technology and therefore it forms a significant part of its work.
- 25. The review of the Oracle Support Service (which is an external provider) is complete. Overall, the performance is below adequate. However, there is currently not time or capacity to support a procurement exercise, so a contract extension has been agreed, after which, the commencement of a procurement exercise will begin in 2027. A lower fee uplift and additional services have been offered by the supplier as part of the extension as enhanced contract management arrangements also put in place.
- 26. As part of the review, a new role has been added to manage the relationship with Mastek, to ensure work and requests are being completed to time and to the required quality and oversee the quarterly update processes. This will free up the existing Oracle Support Manager, who has already delivered several system developments in house to focus more on the technical aspects of system design and development to reduce the reliance on Mastek.
- 27. Both Oracle Guided Learning (OGL) and Fusion Data Intelligence (FDI, formally known as Fusion Analytics Warehouse FAW) have been fully implemented. Each product offers significant opportunities for improvements.
- 28. The Oracle Cloud Infrastructure (OCI) health check was undertaken to ensure that the configuration of the core infrastructure of the Oracle system conformed to best practice and did not present any potential weaknesses. The latest review passed 977 of the 1000 tests with no issues. The integrated monitoring is now working and rates the current configuration as excellent. Despite the good news, work continues to ensure that the security of the system is always improving. To this end EMSS has been working with partner IT colleagues and Mastek to strengthen multi-factor authentication across all environments for all users.

29. The ESC has successfully completed the implementation of the seeded absence solution. This was fundamental to the stabilisation work and will lead to the move to seeded pensions for teachers.
30. The Redwood implementation continues. This is a new look and feel being rolled out by Oracle. Although colleagues have been working hard to meet Oracle's deadlines a significant GDPR issue arose within the new system.. Oracle are working on a fix but until this is delivered, implementation has been restricted to those areas unaffected by the issue.
31. The introduction of paperless direct debit set up is ongoing and due to be completed mid-2025, this project will allow for easy set up and is an opportunity to push forward with payments via direct debit, reducing the risk of late payment.
32. A new contract for supplier bank detail verification was agreed, significantly increasing the number of automated verifications.
33. A dialler system has now been implemented and will deliver additional payment options for customers as well as a more efficient dialling process.
34. An improved BACs system. Following a G Cloud exercise the existing provider will be retained. The new contract includes an upgrade to their new system which has improved functionality and security.

### **Employee Service Centre (ESC) - summary of performance**

| ESC Service              | Details                                                 |
|--------------------------|---------------------------------------------------------|
| Payroll Payments         | Over 173,000 payments made for LCC; error rate of 0.26% |
| LCC Pension Payments     | Over 380,000 payments to LCC pensioners                 |
| DBS Checks               | Over 14,000 completed                                   |
| Recruitment Adverts      | 2,203 adverts posted for all vacancies                  |
| Leavers Processed        | Over 3,000                                              |
| Employment Contracts     | 7,600 new and amended contracts for LCC                 |
| Inbound Service Queries  | Over 38,000 resolved; 96.9% within SLA                  |
| Pay Award Implementation | New pay award implemented                               |
| Service Improvements     | Multiple service improvement projects delivered         |

## Finance Service Centre (FSC) - summary of performance

| FSC Service                | Details                                                                          |
|----------------------------|----------------------------------------------------------------------------------|
| Supplier Account Creation  | 3,740 new accounts for LCC; 91% set up within SLA                                |
| Trade Supplier Payments    | 159,000 payments made; total value £248 million                                  |
| Invoice Payment Timeliness | 93.5% paid within 30 days; 6.5% delayed due to coding delays or credit balances. |
| Debt Management            | Debt ledger managed with a total value of £68 million                            |
| No PO No Pay Support       | Support and rollout of council's configuration                                   |
| Inbound Service Queries    | Over 79,000 resolved; 89% within SLA                                             |
| Service Improvements       | Multiple service improvement projects delivered                                  |

### Audit outcomes

35. Part of the partnership arrangement, NCC carry out the internal audit requirements across all EMSS processes. The NCC Internal Audit (NCCIA) service has experienced staffing challenges, including the long-term absence and subsequent resignation of the Head of Internal Audit, causing some delays with the Audit completion and agreement on future internal audits moving forward. These now look to be resolved, with the current 2024/25 audit now complete and an agreed timeline to complete the 2025/26 audit.
36. On the basis of audit work undertaken during the 2024/25 financial year, the Interim Head of Internal Audit at Nottingham City Council concludes that a *"moderate level of assurance"* can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered. Whilst the direction of travel for the three audits, from 23/24 to 24/25 has varied, substantial improvement can be seen from the Payroll Audit. This opinion is based on the following recommendations being implemented:

### Payroll completed recommendations

| Topic                                           | Status/Details                                   |
|-------------------------------------------------|--------------------------------------------------|
| <b>Monthly Payroll Control Accounts for NCC</b> | Monthly reconciliation reports are now in place. |
| <b>Agreement of Legacy Balances for NCC</b>     | Legacy balances have now been agreed.            |

|                                               |                                                                                                       |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------|
| <b>Salary Overpayments – Process</b>          | The current process is not under question. ESC discusses root causes in each partner account meeting. |
| <b>Salary Overpayments – Causes</b>           | Mainly attributed to managers not submitting employee leaver forms on time.                           |
| <b>Salary Overpayments – Historic Issues</b>  | Historic overpayments are slow to clear, but progress is being made.                                  |
| <b>Salary Overpayments – Improvement Work</b> | Work to improve the process is ongoing.                                                               |

### Accounts Payable Completed recommendations

| Topic                                       | Status/Details                                                                                  |
|---------------------------------------------|-------------------------------------------------------------------------------------------------|
| <b>Segregation of Duties – Bank Changes</b> | The process now includes a clear segregation of duties and system access controls are in place. |

### Accounts Receivable completed recommendations

| Topic                                   | Status/Details                                                                 |
|-----------------------------------------|--------------------------------------------------------------------------------|
| <b>Collection Strategy / Compliance</b> | The recent completion of the automated Dunning letters has resolved the issue. |

37. The definition for moderate assurance is “*generally a sound system of internal control designed to achieve the organisation’s objectives with some exceptions and / or evidence of non-compliance with some controls that may put some of the system objectives at risk*”. It is worth noting that the recommendations made were low priority.

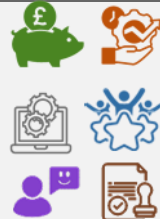
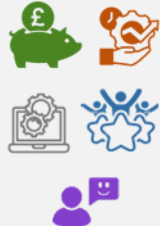
### EMSS Work Programme / Business Plan Priorities 2024/25

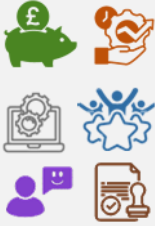
#### Benefits Key

|                           |                                                                                     |               |                                                                                     |                     |                                                                                       |
|---------------------------|-------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------|
| Stat / Policy Requirement |  | Cost Savings  |  | Process Improvement |  |
| Customer Experience       |  | Staff Welfare |  | Automation          |  |

38. The table below details the projects that have been completed during 2024/25.
39. This includes training and development, process improvements and the business Continuity plan (B.C) For the B.C Plan, key processes have been dry

run tested, including remote access to Oracle Fusion outside of system servers, and a re-run of the previous months payroll. Critical reports such as supplier verified and active bank account detail for emergency use, will be securely stored in a dedicated space within Resilience Direct, along with action cards for each process within the B.C plan.

| Project / Priority                                    | Benefits                                                                            | Description                                                                                                                                                                                    | Status   |
|-------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Technology - Oracle EBS archive                       |    | To transfer the data in EBS to an archive state                                                                                                                                                | Complete |
| Technology - Oracle Analytics implementation          |    | New functionality negotiated during the contract renewal. Providing additional data reports and analytics.                                                                                     | Complete |
| Technology – Oracle Guided Learning                   |   | A new system that will greatly improve the user experience of using Oracle. Implementation complete, now with a reliance on each service area to create content.                               | Complete |
| Technology - Oracle Cloud Infrastructure Health check |  | A health check highlighted a number of inadequacies with the set-up, however they were issues known to Oracle, and can be resolved with two factor authentication                              | Complete |
| Review of the Oracle Support Service                  |  | A review of the service to ensure it is meeting customer needs, with ongoing reviews.                                                                                                          | Complete |
| Procurement of customer support system                |  | The Freshdesk contract ended in Feb 25, a new procurement exercise has been completed and the new system implemented (Fresh Service)                                                           | Complete |
| FSC – Best Value Review                               |  | A full review of FSC services, performance and efficiency. To enable partners to assess the value for money delivered and opportunities for improvements. Review to take place in summer 2025. | Complete |
| FSC - Dialler system and SMS software                 |  | A new system to automate the contacting of customers about their debts either by text or by phoning.                                                                                           | Complete |

| Project / Priority                                                                       | Benefits                                                                          | Description                                                                                                      | Status   |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------|
| ESC - HCM and Payroll Transformation.                                                    |  | Review, define, and re-establish the operating model for the Employee Service Centre (ESC). Phases 2&3 completed | Complete |
| ESC – Implementation of ‘seeded’ absence, LGPS fixes and seeded Teachers’ Pension Scheme |  | Required to move from custom to seeded absence scheme within payroll system. completed August 24.                | Complete |
| ESC – Office move                                                                        |  | Plans have been agreed to move the ESC and BD staff into the main Pen Lloyd building                             | Complete |

### Summary

40. Whilst it has not been without challenge, and there is still much work to do, overall, 2024/25 has been a successful year for the EMSS service provision. It continues to look forward. Ongoing projects focus on the use of technology and A.I to reduce time and improve customer experience and support growth.
41. The Commission is asked to note and comment on the report.

### Background Papers

Shared Services with Nottingham City Council – Cabinet, 7 September 2010

<http://politics.leics.gov.uk/documents/s47156/E%20-%20Shared%20Services.pdf>

East Midlands Shared Services: Procurement of Managed Hosting Service – Cabinet, 26 July 2011

<http://politics.leics.gov.uk/documents/s55039/N%20east%20midlands%20shared%20services%20procurement.pdf>

East Midlands Shared Services: Consultancy Report – Cabinet, 13 September 2011

<http://politics.leics.gov.uk/documents/s56198/M%20%20East%20Mids%20Shared%20Servs%20consultancy%20support.pdf>

### Circulation under the Local Issues Alert Procedure

None

### Equality Implications

None

### Human Rights Implications

None



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**Appendix A****EMSS Strategic Plan 2025-2029****Strategic Aim**

- To ensure that EMSS are a centre of excellence able to provide advice as well as solid transactional services.
- To ensure that EMSS process and communications do not hinder the reputation of partner councils.
- To ensure that system support and system development is supported and managed accordingly.
- To grow and expand the service internally with existing partners and externally with potential new clients in the longer term.
- To maintain a drive for continuous improvement, demonstrate where possible EMSS can add value, streamline processes to deliver a professional service whilst delivering cost savings and efficiencies.
- Present Invest to save opportunities, that do not compromise the service quality.
- Develop a self-service culture that enhances customer, supplier and partner experience.
- Maintain a healthy and friendly team culture that sees everyone engaged and invested in the EMSS brand.

- To add value and provide visibility of performance via reporting and data analysis.

### **People:**

- To ensure EMSS are a solid but fluid source of support with multi skilled workers, remove single points of failure.
- To develop the teams allowing them to grow and develop personally and professionally.
- Identify training needs and performance issues and ensure they are managed accordingly.
- Create a healthy succession plan for those looking to progress.
- Promote the use of apprenticeships and professional development
- Ensure that regular one to ones are conducted by line managers, not only to keep performance and morale on track but also identify potential skillsets or ambitions not being utilised, opening up the door for training and progression where possible. Frequency should be at least monthly but may be required more frequently where extra support or performance management is required.
- Ensure that sickness and absence levels are managed accordingly with support plans in place where required.
- Engage with Apprenticeship and Kickstart programs to employ and develop apprentices where appropriate.
- Promote and encourage use of the Learning hub for additional training across the teams.
- Promote contribution to new ideas from the EMSS team.
- Ensure expectation and accountability are clear.
- Promote the Councils policies on Equality and Diversity.

### **Activities to support Objectives:**

- Regular updates to all staff ensuring they are fully aware of all current projects and future plans by means of daily Huddles, weekly management meetings, Staff briefings and quarterly project updates.
- Current projects have shown the value of ensuring the people who are close to the detail have a say in how EMSS can improve processes, as such, these people are involved in all relevant implementation projects.
- Encourage the team to contribute to our continuous drive for efficiency and improvement by creating an ideas board where they can be part of the bigger picture and feel included in the development and expansion of the service.
- Ensure that staff have an outlet to air suggestions and concerns and ensure that they are heard and responded to. As well as one to ones and daily team huddles where staff are encouraged to report any concerns regarding work or wellbeing.
- Ensure that team expectations are made clear and that performance is measurable, creating both accountability and increased job satisfaction.
- Utilising the FTE analysis to demonstrate the average and acceptable output levels required from each person and the service overall.

- Ensure all processes are clearly mapped with specifically defined guidance via Oracle Guided Learning to ensure all processes are followed in uniform. This also allows EMSS to identify any gaps in the process and demonstrate a clear end to end journey where risks and exposure can be satisfied on request.
- Regular meetings with team managers to ensure that the tone and expectation is consistent.
- Circulation of wellbeing services to ensure staff are aware of all support offered.
- Regular review of SLA and service performance, ensuring service is on track.
- Utilise reporting to understand blockages and or service success.
- Ensure processes are documented and change boards correctly record any changes.

### **Projects**

In addition to ensuring that the EMSS service provision is stable, additional projects are what allow the service to move forward and future proof the service provision, keeping it relevant, efficient and fit for purpose.

#### **Ongoing projects**

- Improved Performance Reporting – KPI Packs via FDI.
- Caseware replacement (identifies duplicate and erroneous supplier payments)
- Paperless Direct debits. (replacing current print and post forms)
- In-House Debt Collection - Phase 4. (LCC ASC)
- Dialler system. (To aid collections efficiency)
- OGL content creation. (Oracle Guided Learning, on screen process guidance)
- Redesign of automated dunning letters. (Improve efficiency of automated reminder letters generated by Fusion)
- Review Best Value Review for FSC (Ensure all processes, volumes and efforts are accurately recorded to provide accurate cost to serve)
- Complete Best Value Report for ESC (Ensure all processes, volumes and efforts are accurately recorded to provide accurate cost to serve)
- Complete Redwood deadlines – (Oracle system update, look and feel)
- Customer self-serve Portal Review and business case. (Customers to obtain copy invoices, make payments and obtain statement of account via self serve)
- Electronic customer statements (Debt collection efficiency)
- Seeded Payroll & Pension reporting (maximising Fusion functionality)
- EBS Archiving – Cost effective data storage solution for both partners.
- Review of EMSS business continuity plan.

#### **2025 – 2029**

- Scope additional Debt recovery service provision within LCC
- Scope ASC and other debt recovery service provision within NCC
- Support NCC in completion of No PO no Pay roll out.
- Support the partnership with process improvements, compliance, and user engagement sessions.
- Explore Kefron functionality for supplier credit note processing.

- Reduce/remove FSC Phonenumber, move to online / self-service.
- Business Development Growth, expand internal knowledge and resource for in house system change delivery.
- OGL – Continue to create content. (Oracle Guided Learning)
- Develop end User Training library.
- Payment up front. Reducing customer debt levels.
- Additional lines of customer payment. Increase customer payment options.
- Extend HR triage to LCC – ESC
- Work to improve the leavers process and reduce salary overpayments.
- Review partner legacy systems and offer support for centralisation into Oracle Fusion where possible.
- Ensure that service delivery from external suppliers is on track with contractual expectations.
- Ensure service providers and contract renewals are completed following the correct procurement processes.
- Review Charging mechanism for emergency payroll requests.
- Agree renewed Strategic Partnership Agreement & KPI's

#### **Customers:**

- Ensure that professional guidance on all processes is readily available.
- Encourage self-serve culture by utilising tools available in Freshdesk such as the EMSS FAQ guidance portal.
- Ensure that the teams provide a professional standard of service.
- Ensure that regular account meetings are held with Partners to provide visibility of all relevant activities and performance.
- Ensure that Service Area relationships are developed and maintained to improve relevant processes and results.
- Ensure that KPI data provides a clear indication of performance, highlights areas that require service area escalation and demonstrates that EMSS are adding value as a service provider.

#### **Technology:**

- Ensure that Quarterly system updates are managed and have a finance representative for each area to ensure any changes created by systems update are captured and communicated.
- Ensure that there is a dedicated FOG representative.
- Utilise and build relationships with experts in the Business Support team to ensure systems expertise and reporting experts are utilised.
- Expand internal system support team to increase the number of change requests delivered in house.
- Ensure that MSP and Systems support is fit for purpose and relevant.

EMSS try to ensure that all projects include the use of technology where possible and relevant, so that each change can create efficiency. Current projects utilise the relevant technology ensuring that we do not simply swap one data processing process for another, but that we drive forward improvements with every change.

### **Finance**

- Ensure that budget setting and monitoring processes are followed and kept up to date.
- Maintain and monitor costs and use budget overview to drive decisions on cost savings.
- Identify opportunities to take on more work which will help relieve Partner resources.
- Potential opportunities to obtain external clients to create an income in the longer term.

### **Challenges**

- **System Downtime:** Occasional downtimes of the ERP and other critical systems can disrupt workflow and reduce overall productivity.
- **Resource Allocation:** Inefficient allocation of resources sometimes results in bottlenecks and delays in service delivery, particularly when there are competing priorities and or spikes in volume within EMSS and council service areas.
- **Change Management:** Resistance to change among staff can slow the adoption of new processes and technologies, impacting overall efficiency.
- **Financial Constraints:** Budget limitations can restrict the ability to invest in new technologies and training programs, which are essential for continuous improvement.
- **Compliance and Regulatory Requirements:** Keeping up with evolving legal and regulatory requirements, such as data protection laws and financial regulations, can be challenging and resource intensive. EMSS will utilise Information Governance, procurement and legal departments to ensure all statutory and legal requirements are covered.
- **Stakeholder Expectations:** Meeting the high expectations of stakeholders for quality and value-for-money services requires continuous improvement and innovation is an expected, but constant pressure.
- **Market challenges:** Reacting to economic challenges that directly affect partner councils and service provision.
- **Technological Advancements:** Rapid advancements in technology necessitate ongoing investment and adaptation, which can be difficult to manage within existing budgets and resource constraints.
- **Data Security:** Ensuring the security and privacy of sensitive financial and personal data is a constant challenge, especially with increasing cyber

threats. Regular system health checks are in place as well as a review of the EMSS Business continuity plan.

- **Integration of Systems:** Achieving seamless integration between different financial and HR systems to ensure accurate and efficient data flow can be complex and time-consuming.

### **Expectation**

- **System Integration:** Maximise core system functionality.
- **Enhanced Collaboration:** Strengthen partnerships with other local authorities and public sector organizations to share best practices and resources.
- **Technological Advancements:** Invest in cutting-edge technologies such as artificial intelligence and machine learning to further automate processes and enhance service delivery.
- **Expansion of Services:** Explore opportunities to expand the range of services offered to include additional transactional and advisory services.
- **Continuous Improvement:** maintain a culture of continuous improvement through regular training, feedback, and performance reviews to ensure high standards of service.
- **Automation:** continue to investigate opportunities for processes that can implement Robotic Process Automation (RPA) for routine financial tasks
- **Sustainability Initiatives:** Implement green practices and technologies to reduce the environmental impact of operations.
- **Training:** develop comprehensive training focussed on new technologies and process improvements to 'grow our own' experts reducing the reliance on external providers.
- **Change Management:** implement change through regular communication, training, and support to help staff adapt to new processes, policies and advancing technology.



**Leicestershire  
County Council**

**SCRUTINY COMMISSION – SEPTEMBER 2025**

**CORPORATE COMPLAINTS AND COMPLIMENTS  
ANNUAL REPORT 2024 – 2025**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**Purpose of Report**

1. The purpose of this report is to present for the Commission's consideration the Corporate Complaints and Compliments Annual Report, covering the period from 1 April 2024 to 31 March 2025. This is attached as appendix A to this report.

**Background**

2. The Council manages and coordinates complaints using one of three policies and associated processes, these are:
  - a) Children's Social Care Complaints Policy (statutory)
  - b) Adult Social Care Complaints Policy (statutory)
  - c) Corporate Complaints Procedure (complaints relating to other services provided by the Council where there is no access to a statutory complaint procedure)
3. An annual report is produced for each policy, with complaints managed under the Corporate Complaints Procedure as the primary subject of this report. However, please note the main annual report does include some figures in relation to statutory case volumes for completeness.
4. The annual reports relating to the two statutory processes are considered at their respective Overview and Scrutiny Committees in September of each year.
5. The Council's annual Corporate Complaints and Compliments Report is produced by the Complaints and Information Service and provides an insight on the key trends pertaining to complaints and compliments as well as wider case information.
6. As detail is included in the main annual report itself, the purpose of this summary report is to highlight the headline trends and insight emerging from the analysis of complaints activity during 2024/2025.

## **Headlines (2023-24 comparative data is in brackets)**

### **Demand/Volume**

7. For 2024/25:

- a) 1,287 corporate complaints were received – a 12% decrease (1,470) from 2023/2024.
- b) Children and Family Services and Environment and Transport departments consistently present as the top two departments in terms of volume due to 'SENA' and 'School and SEN Transport' related complaints.
- c) 67 Local Government and Social Care Ombudsman enquiries were received – a 20% decrease (84) from 2023/2024.

### **Performance**

8. The top five service areas where cases were closed were:

- SENA
- School & SEN Transport
- Child Protection
- Drainage
- Child in Need

#### Stage 1 response times

- 9. During 2024/2025, the percentage of complaints responded to within 10 and 20 working days decreased from the previous year; however, 93% were responded to within 40 working days (maximum recommended by the ombudsman), which is an improvement from 2023/2024 (90%).
- 10. There remain some pressures particularly around SEN complaints which has impacted overall response timescales.
  - 44% of all complaints received a response within 10 working days.
  - 71% received a response within 20 working days.
  - 93% received a response within the maximum 40 working days.

#### Escalation to stage 2 and response times

- 11. If a complainant remains dissatisfied following the outcome of stage 1, they may request further consideration of their complaint. Such requests will be considered under stage 2 of the Corporate Complaints Procedure.
- 12. In 2024/2025 75 complaints escalated to stage 2, this escalation profile has, positively, had a decreasing trajectory since 2022/2023. This means less complainants have requested a stage 2 review year on year.



13. 51% of all stage 2 complaints received a response within 20 working days. This has decreased from 2023/24 (61%).

### **Local Government & Social Care Ombudsman (LGSCO)**

#### **Enquiries**

14. The LGSCO received 122 enquiries in 2024/2025 compared to 104 in 2023/2024 (17% increase).

#### **Decisions Upheld**

15. 40 (33%) of the 122 were investigated, with 33 of the 40 upheld, giving an uphold rate of 83%. The average uphold rate for similar authorities, as reported by the LGSCO, is 89% for 2024/2025. Adjusted for Leicestershire County Council's population, this is 4.5 upheld decisions per 100,000 residents. The average for authorities of this type is 5.3 upheld decisions per 100,000 residents, demonstrating above average performance.
16. For comparison, the 2023/2024 dataset, showed 83% of complaints were upheld, with an average of 85% in similar authorities, giving 4 upheld decisions per 100,000 residents, with an average of 4.5.

#### **Upheld Cases**

17. Most upheld cases related to SENA (15) and financial assessment (10) for care and support.
18. It is worth noting that in the LGSCO's Annual Review of Local Government Complaints 2024-25 report it said, 'Education & Children's complaints, and in particular the growing issues with special educational needs provision, made up 27% of the cases we received during the year, and made up 48% of cases we upheld. We found fault in more cases this year, with 91% upheld. We continue to maintain the view that urgent change is required to national policy on support for young people with special educational needs and disabilities, and we await the Government white paper, now expected in Autumn 2025.'
19. In respect of adult social care, it said, '13% of the cases we received were about adult social care. Our casework tells us that delays in the assessment process and poor communication with individuals and families continue to be key themes.'

#### **Remedy Payments**

20. The Council continues to have regard to the LGSCO's guidance on remedies, and this has prevented several complaints escalating through appropriate local settlement offers.
21. Financial payments made across Corporate Complaints decreased by 22% from £27,222 in 2023/2024 to £21,113 in 2024/2025. Whilst this is positive, it

should be cautioned that this figure does not include redress offered by the Council at the local stages of its procedure.

### **Public Reports and Compliance**

22. The LGSCO monitors remedies being carried out by the Council where fault has been found and remedial actions proposed. Failure to carry out remedies within agreed timeframes is recorded as non-compliance.
23. Cases that raise serious issues, highlight matters of public interest or cases of non-compliance can lead to the LGSCO issuing a Public Report.
24. The LGSCO did not issue any public reports against the Council during 2024/2025, and the Council complied with all recommendations.

### **Compliments**

25. There was a 7% decrease in the volume of compliments recorded during the year with 393 (down from 422 in 2023-24) across all services; with Libraries, Heritage and Museums receiving 57% of the total volume.

### **Recommendations**

26. The Commission is asked to:
  - (i) note the contents of the Corporate Complaints Annual Report, attached as Appendix A, covering the period 1 April 2024 to 31 March 2025.
  - (ii) provide comment and feedback on the content and analysis within the report.

### **Equality and Human Rights Implications**

None

### **Circulation under the Local Issues Alert Procedure**

None.

### **Background Papers**

Corporate Complaints and Compliments Annual Report 2023 – 2024: Scrutiny Commission – 10 June 2024  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=7444&Ver=4>

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Corporate Complaints and Compliments Annual Report 2024 – 25

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# Corporate Complaints and Compliments Annual Report

2024 - 2025



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| Sample of compliments received in the reporting period 1 April 2024 – 31 March 2025 | 25        |

# Glossary

|                                           |                                                                                                                                                                                    |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Enquiry case</b>                       | A request for information or clarification about a service, policy or specific issue.                                                                                              |
| <b>Compliment case</b>                    | An expression of praise or satisfaction regarding the services provided by the Council.                                                                                            |
| <b>Complaints case</b>                    | A formal complaint following one of the three Council policies for handling complaints.                                                                                            |
| <b>Alternative route of redress</b>       | This is a complaint outcome and means the complainant has decided to take other means for resolution, for example court proceedings or insurance claim.                            |
| <b>Fault Found</b>                        | This is a complaint outcome and means the complaint has been investigated, found in favour of the complainant and remedial action is required.                                     |
| <b>Fault Found – remedy carried out</b>   | This is a complaint outcome and means the complaint has been investigated, found in favour of the complainant and remedial action has been completed.                              |
| <b>No Fault Found</b>                     | This is a complaint outcome and means the complaint has been investigated, and the council had been found to have acted correctly regarding the matters raised by the complainant. |
| <b>No Finding</b>                         | This is a complaint outcome and means there was insufficient evidence to make a finding, for example, two irreconcilable version of events.                                        |
| <b>Not Upheld</b>                         | This is a complaint outcome and means following an investigation, the complaint was not found in favour of the complainant.                                                        |
| <b>Referred to another organisation</b>   | This is a complaint outcome and means the complaint is not in the jurisdiction of the council and we have signposted to the correct organisation.                                  |
| <b>Response given – no further action</b> | This is a complaint outcome and means the complaint has been investigated, a response provided, and no further action is required regarding their complaint.                       |
| <b>Service request</b>                    | This is a complaint outcome and means the issue has been passed to the customer service centre, as this is the first time it had been raised to the council.                       |
| <b>Withdrawn</b>                          | This is a complaint outcome and means the complainant no longer wishes to continue with their complaint.                                                                           |

# Purpose of Report

The purpose of this report is to provide Members and the public with information concerning compliments and complaints managed under the Corporate Complaints Procedure for the period 1 April 2024 to 31 March 2025. The report provides data and insight on the volume and types of corporate complaints, compliments and other contact, highlighting areas of positive performance and those for development.

Complaints managed under the Adult Social Care Complaints Policy or Children's Social Care Complaints Policy are captured in separate, standalone reports.





# Executive Summary

Leicestershire County Council (the Council) delivers a range of statutory and discretionary services, within a landscape shaped by increasing demand and budget pressures. The volume of service delivery, transactions and contact across the Council is vast and most of our customers experience a good service. For context there were 9,360,485 contacts across e-forms, email, phone, web views and visits to County Hall in the 2024 calendar year.

Overall demand has increased by 0.3% this year and our customers continue to utilise our digital platforms the most. Enquiries continue to be the highest cases received, followed by complaint cases. Compliments as a percentage of total demand is not too dissimilar with the previous reporting period, with Libraries, Heritage and Museums receiving 57% of the total compliments for the period 1 April 2024 – 31 March 2025.

The number of Corporate Complaints received in 2024/2025 has decreased by 12% from 2023/2024, with highest volumes relating to Special Educational Needs Assessment (SENA) and School and Special Educational Needs (SEN) Transport, although School and SEN transport has seen a decrease in cases compared to the previous year.

From a performance outcome perspective, 72% of SENA closed corporate complaint cases had a fault found, with most complaints relating to a delay in providing a service. 79% of closed School & SEN Transport corporate complaint cases had the same theme.

Most Stage 1 cases were responded to within the maximum stated period within the Corporate Complaints Procedure, with the percentage of cases over the maximum decreasing by 2% from the previous year. Performance of Stage 2 response times has slightly dipped. The number of Stage 1 cases escalating to Stage 2 has decreased by 6% from the previous year.

In terms of Ombudsman performance, the Council's satisfactory remedy performance is above average, and it continues to maintain a 100% recommendation compliance rate. The value of remedy payments has decreased by 22%. No public reports have been issued in 2024/2025.

The Council's Customer Programme has completed several initiatives to improve customer experience and recently consulted on its Draft Customer Strategy, which ensures:

- The focus is on customers, and that they have a positive experience in their interactions
- All council employees take responsibility for customer service
- That the council will adopt best practice, and that interactions are efficient to maximise taxpayers' money
- That people use our online options if they can, freeing up more traditional channels for those who can't
- The council appropriately manages any changes to the way customers are asked to interact with us.

The Complaints and Information Team continue to work with senior leadership teams to effectively utilise complaints intelligence and customer feedback to support positive improvements in service delivery.

# Background and Introduction

## Legislative context

In the UK, complaints are governed by several pieces of legislation and statutory guidance, key legislation to note has been included below; however, further detail is available within local policy documentation:

- The Local Authority Social Services and National Health Service Complaint (England) Regulations 2009 provides the legal framework for handling complaints about local authority adult social care services.
- The Children Act 1989 Representations Procedure (England) Regulations 2006 is the legal framework for handling complaints about local authority children's social care services.
- The Local Government Act 1974 is a key piece of legislation for handling complaints under the Corporate Complaints Procedure. The Local Government and Social Care Ombudsman (LGSCO) is empowered under the Local Government Act 1974.

## Introduction and local policy context

The Council is dedicated to delivering high-quality services, celebrating successes, and continuously improving based on customer feedback. Recognising and celebrating good practice is a priority, as is learning from instances where standards fall short. Mechanisms are in place for customers to provide feedback, whether positive or negative, through compliments, feedback, or complaints. Where possible, action to address issues at the first point of contact is taken. Complaints procedures are integral to the Council's commitment to its customers as complaints provide valuable insights into how services are perceived and how they can be improved.

Customers can make a complaint, provide feedback or give a compliment via a variety of channels, including webform, email, telephone, letter or using the Council's complaints leaflet.

The Council manages complaints using one of three policies and associated processes, these are:

1. **Adult Social Care Complaints Policy**  
This policy follows legislative requirements and applies to adult social care services provided by or arranged by the Council. This is a two-stage statutory process (with the Ombudsman being the second stage) and may include (but not limited to) complaints relating to assessment of need, provision of services, delays, or decisions made under the Care Act 2014.
2. **Children's Social Care Complaints Policy**  
This policy follows legislative requirements and applies to children's social care services provided by or arranged by the Council. This is a three-stage statutory process and may include (but not limited to) complaints regarding care planning and placement, services to children in need, child protection, fostering and adoption.
3. **Corporate Complaints Procedure**  
This procedure is for complaints where the above two named statutory processes do not apply. The Corporate Complaints Procedure may not be used where exemptions apply, for example court proceedings or a tribunal process, or where other routes exist, for example, to report a pothole.

These policies can be found on the Council's Internet [www.leicestershire.gov.uk/about-the-council/contact-us/complaints-and-comments](https://www.leicestershire.gov.uk/about-the-council/contact-us/complaints-and-comments)

## Corporate Complaints and Information Team

The Corporate Complaints and Information Manager (statutory post) and their team, in close liaison with the Director of Law and Governance, act as the central point of oversight and coordination for complaints (including those referred to the Local Government and Social Care Ombudsman (LGSCO)) and compliments, as well as Freedom of Information (FOI) requests and Environmental Information requests (EIR). The Complaints and Information Manager acts as the nominated Link Officer and handles all correspondence between the Council and the Ombudsman. Additionally, the team receive and process contacts relating to enquiries and feedback. The team will resolve issues informally, where appropriate, such as signposting to other organisation or alternative routes of redress. Please see Appendix A for further information on this team.



# Case Information

## Analysis Approach

- The reporting period is 1 April – 31 March for each year indicated. The data has been cleaned to remove duplicate information.
- Cases are categorised as Enquiry case, Compliment case, Corporate Complaints case, Adult Social Care (ASC) Statutory Complaint case, Children's Social Care Statutory Complaint case or Local Government and Social Care Ombudsman case.
- All cases are counted by their unique reference number, either by date received or date closed.
- The case management information system logs the stages of the local complaints policies as separate cases, each with their own unique reference number. For example, the Corporate Complaints Procedure is a two-stage process, stage 1 is counted as one case and stage 2 is counted as one case.

## Overall Volume

Demand cases have been counted based on date received to reflect the volume of cases coming into the Council each year. Figure 1 below shows the demand, split by case type, for the last four reporting periods, whereas Figure 2 provides information regarding the percentage change.

There is a rising trend in overall demand across the four reporting periods, with the rate of increase slowing between the two most recent reporting periods. Total demand increased by 0.3% between 2023/24 and 2024/25 and by 52% from 2021/2022 to 2024/2025 and so demand pressures are ever present.

The proportion of each case type logged in each reporting period follows a consistent pattern, with Enquiry cases consistently presenting as the most frequent case type. There has been a percentage increase of 18% for Enquiry cases between 2023/2024 and 2024/2025, whereas all other case types have seen a percentage decrease.

Examples of Enquiry cases are those matters that are informally resolved, a first-time request for a service and signposting to other organisations or to other routes for redress. Although Enquiry cases are the highest case type logged, most of officer time is focussed on complaint cases, with Corporate Complaint cases consistently presenting as the second largest case type.

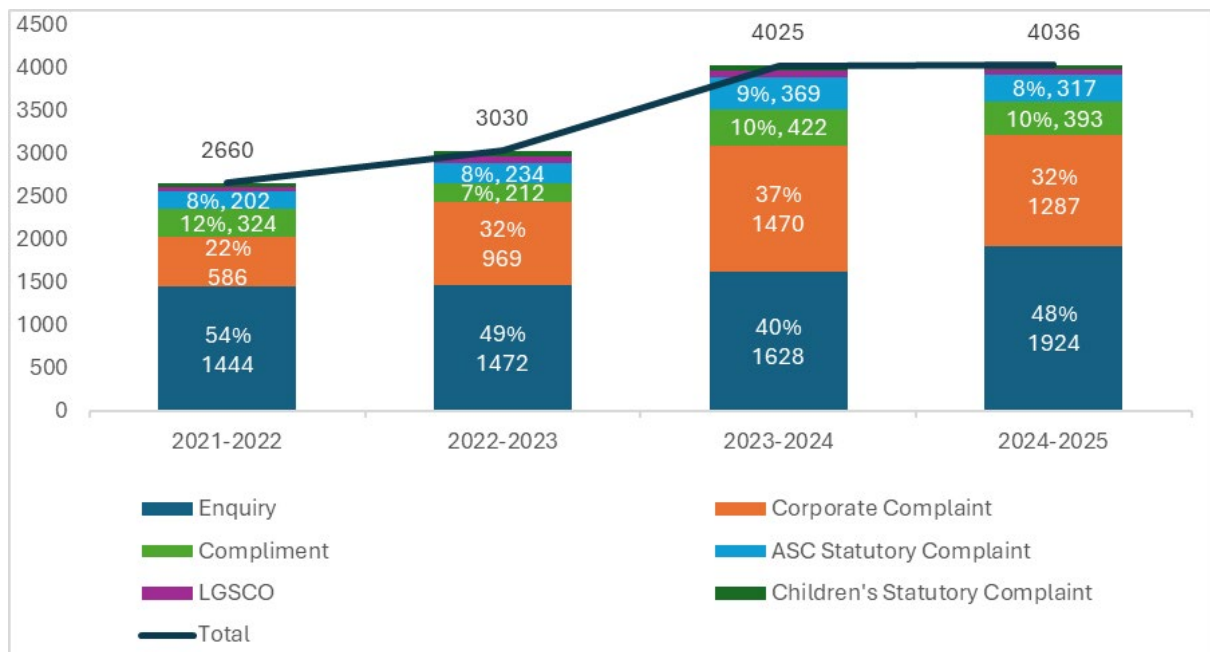


Figure 1 - Chart showing demand (cases received), by case type, for each reporting period

|                                       | 2021-2022 to<br>2022-2023 | 2022-2023 to<br>2023-2024 | 2023-2024 to<br>2024-2025 |
|---------------------------------------|---------------------------|---------------------------|---------------------------|
| Enquiry growth                        | 2%                        | 11%                       | 18%                       |
| Corporate Complaint growth            | 65%                       | 52%                       | -12%                      |
| Compliment growth                     | -35%                      | 99%                       | -7%                       |
| ASC Statutory Complaint growth        | 16%                       | 58%                       | -14%                      |
| LGSCO growth vs PY                    | 52%                       | 2%                        | -20%                      |
| Children's Statutory Complaint growth | 22%                       | -15%                      | -8%                       |

Figure 2 - Table showing the percentage change between the reporting periods (a negative number represents a percentage decrease)

## Compliments Volume

The number of compliments received in 2024/2025 compared to 2023/2024 decreased slightly by 7%. The Adults and Communities and Environment and Transport departments have consistently presented as the top two departments receiving compliments throughout the reporting periods shown. From a service perspective, Libraries, Heritage and Museums (a service within the Adults & Communities Department) received 57% of the 393 received in 2024/25. This service has received the most compliments in the last three reporting periods, reflecting the value residents place on this provision. A sample of compliments received in 2024/2025 is included in Appendix B.

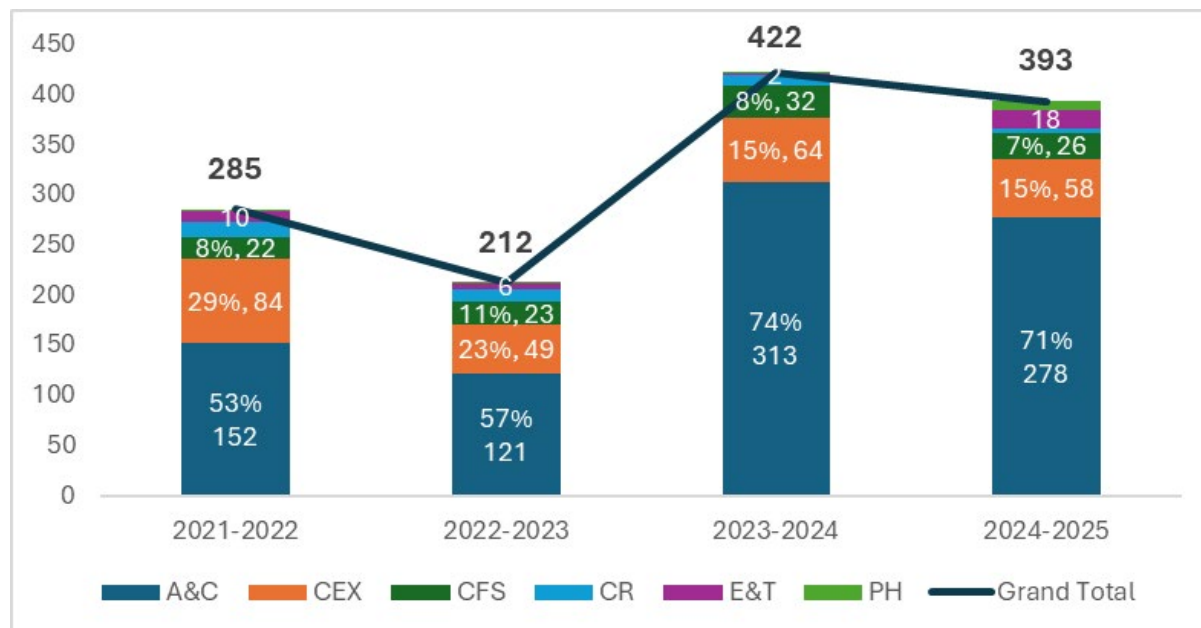


Figure 3 - Graph showing the count of compliment cases received, by department, for each reporting period

## Corporate Complaints Procedure

The Council defines a complaint as

“Any expression of dis-satisfaction about the Council’s provision of, or failure to provide, a service for which it has responsibility”

Figure 4 illustrates the two stage, Corporate Complaints Procedure, and the maximum response time for each stage. A complaint should be made by a member of the public or their representative within the permitted period of 12 months from the day they first had notice of the matter, please note exceptions may apply. Where possible, the Council aims to respond to complaints within 10 working days at stage 1. Should the complaint remain unresolved, a complainant may escalate to the Local Government and Social Care Ombudsman (LGSCO). Please see the section on the Local Government and Social Care Ombudsman, later in this report, for more information on its role.



Figure 4 - Shows the stages of the corporate complaints procedure and ombudsman escalation

## Corporate Complaints Volume

Figure 5 shows the number of Corporate Complaint cases received by each department, showing a percentage decrease of 12% from 2023/2024 to 2024/2025. The Children and Family Services (CFS) and Environment and Transport (E&T) departments have consistently presented as the top two departments receiving Corporate Complaints throughout the reporting periods shown. This is driven by the volume of the Special Educational Needs Assessment and Special Educational Needs (SEN) Transport related complaints, although SEN transport has seen a decrease in cases compared to the previous year.

The performance section of this report will explore drivers for these trends in the context of complaint outcomes.

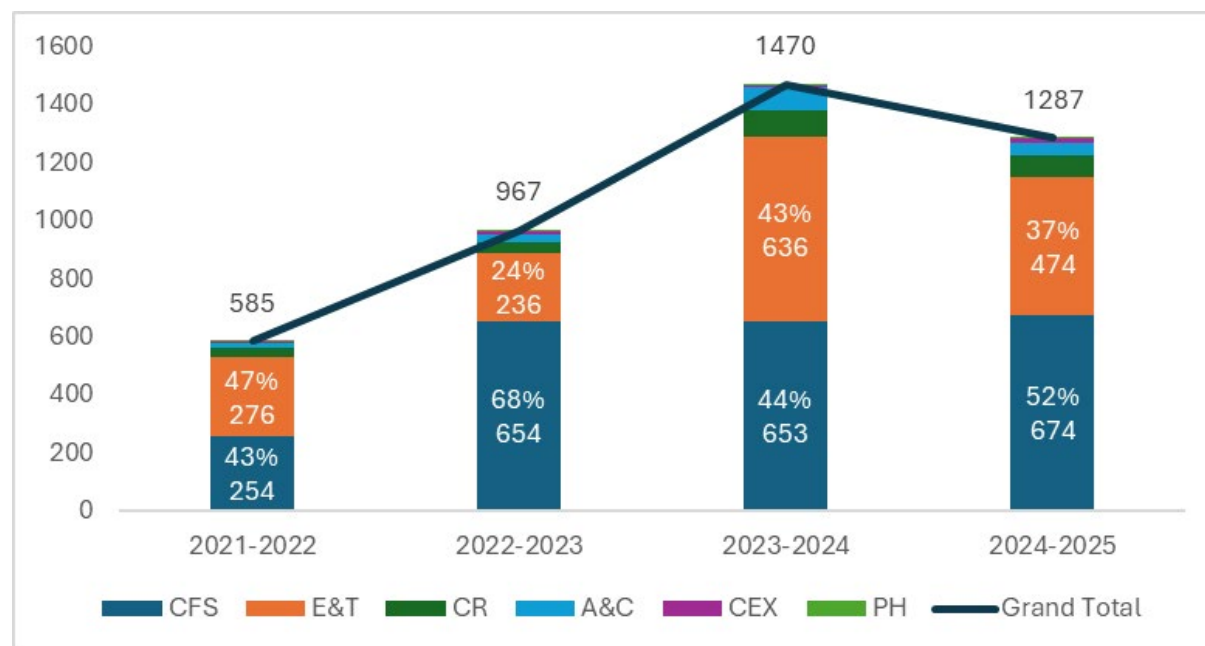


Figure 5 - Chart showing count of corporate complaint cases received for each reporting period

## Corporate Complaints Performance

### Analysis Approach and Outcome Definitions

Performance data is counted on the date the case was closed. To align with the LGSCO's data classification and simplify Council reporting, the Council does not differentiate between whether a complaint was partly or fully upheld. Instead, the Complaints team will assess all complaints responded to and classify as either "Fault Found" or "Not Upheld". Please refer to the Glossary section for the definitions of complaint outcome categories.

### Volume Performance

The charts at Figure 6 show the count of corporate complaints closed by service area for each reporting period. Special Educational Needs Assessment (SENA) consistently presents as the service with the most closed complaints across the reporting periods, with a percentage increase of 43% between 2023/2024 and 2024/2025.

School and Special Educational Needs Transport is the second frequent for three of the reporting periods (School Admissions was second in 2022/2023), with a 20% decrease from 2023/24 to 2024/25.

Please note services with very small values have been grouped under 'Other' for ease of visualisation.

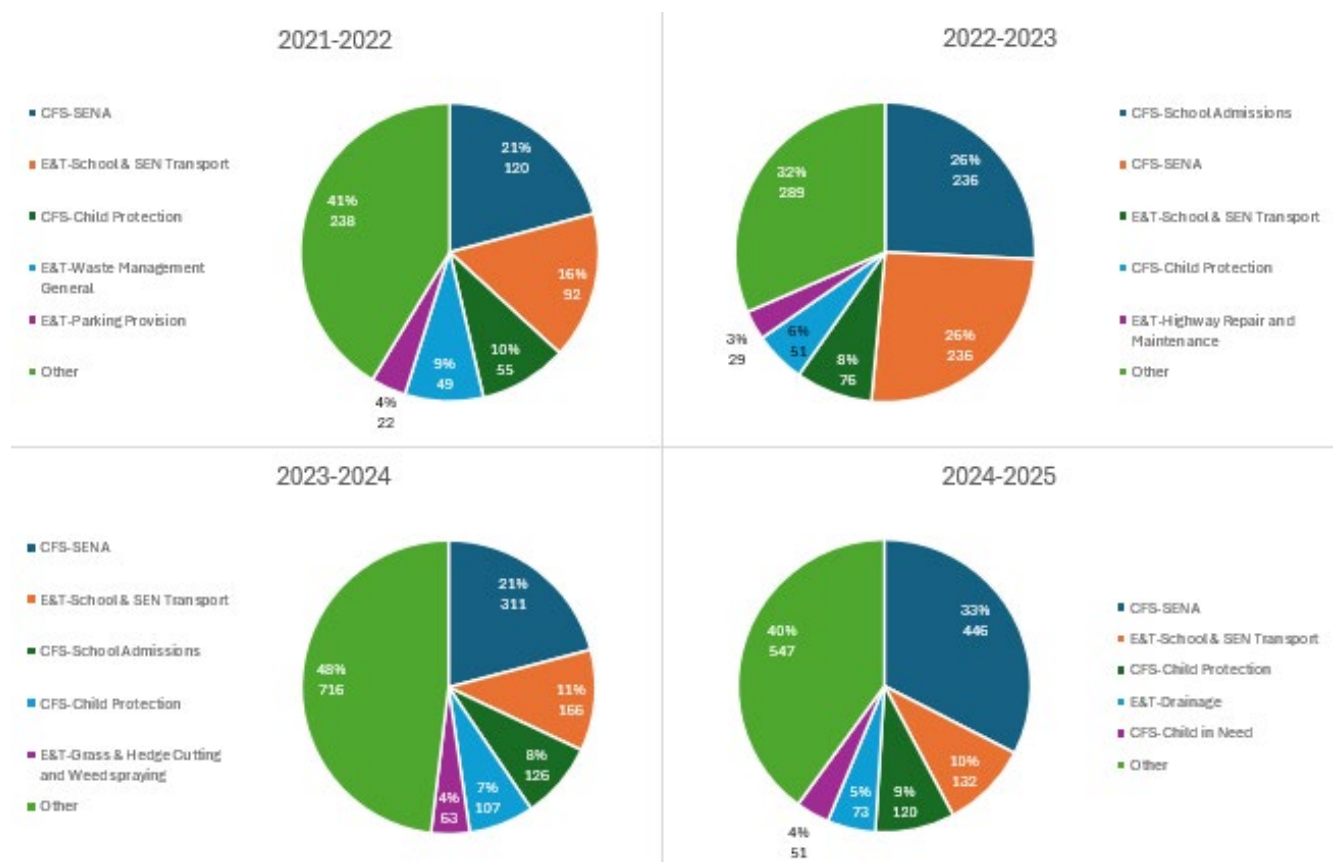


Figure 6 - Charts showing the count of closed corporate complaint cases by service



## 2024/2025 Decision Outcomes

The charts in this section show the Decision Outcomes for Corporate Complaints which have been closed during 2024/2025 (Second Tier), this is a further drill down into the complaints shown above in figure 6. The charts are broken down for the top five services (SENA, School & SEN Transport, Child Protection, Drainage & Child in Need). Each Decision Outcome is further broken down by Reason (third tier). Where values are small, these have been grouped under 'Other' for ease of visualisation. For clarity, the categories associated with Reason and Decision Outcome are included below.

Reason categories are:

- Delays in providing a service
- A decision we made
- Poor/inadequate communication
- Quality of our work
- Accuracy of information held
- Accessibility of our services premises or infrastructure
- Not applicable
- Our policy
- Staff conduct or customer care

Decision Outcome categories are:

- Alternative route of redress
- Fault Found
- Fault Found – remedy carried out
- No Fault Found
- No Finding
- Not Upheld
- Referred to another organisation
- Response given – no further action
- Service request
- Withdrawn

## SENA

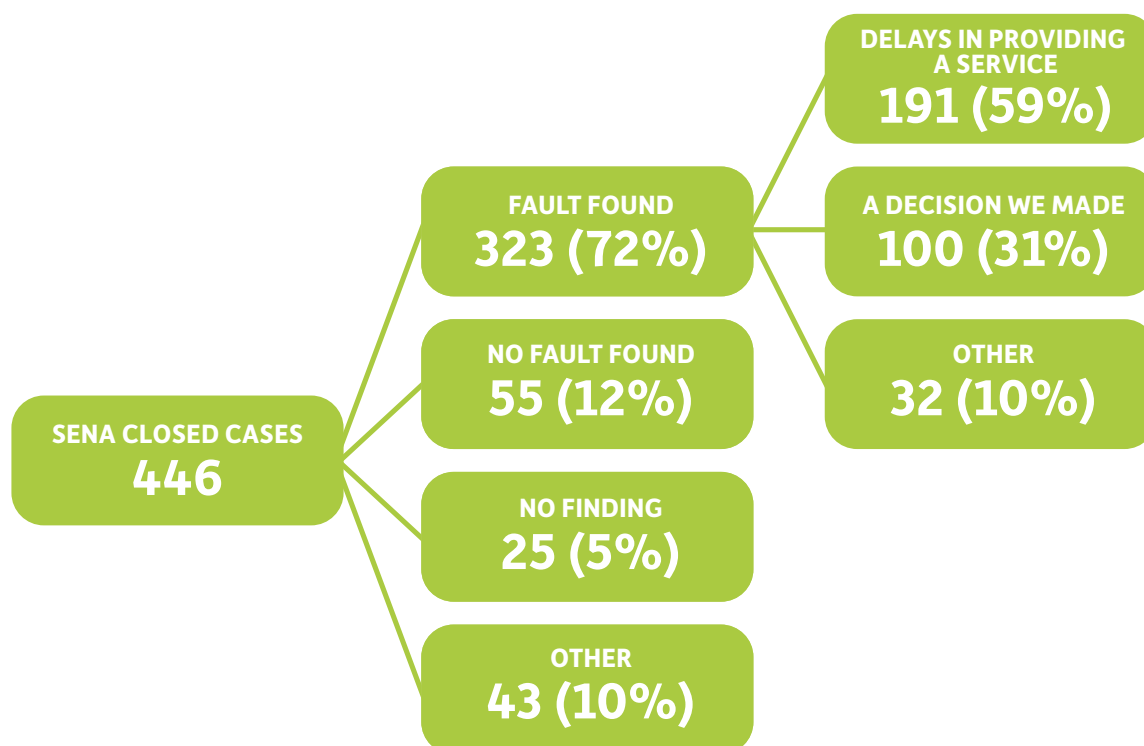


Figure 7 - Chart showing closed sena cases broken down by decision outcome and reasons for 2024/2025

72% of SENA corporate complaints cases have an outcome of Fault Found. One of the biggest factors featuring in these complaints is the delay in meeting statutory timescales for completing the Needs Assessment; the step that precedes a local authority's decision on whether to issue an Education, Health and Care Plan (EHCP).

For context, once a local authority receives a request for an EHC Needs Assessment, the authority has 6 weeks to decide whether to carry out the assessment. If the local authority agrees to carry out the assessment, they will then seek advice and gather information from a number of professionals on a child or young person's education, health and care needs. After assessment, the local authority decides whether to issue the EHCP. The parents/young person have 15 days to comment on the draft plan and request a specific setting to be named. If no EHCP is going to be issued following assessment the local authority must tell the parent or young person within 16 weeks from the date of the request for assessment. The local authority has within 20 weeks of the initial request to issue the final plan. The EHCP must be reviewed at least once a year, to check if outcomes are being met and whether changes are needed. There are a few minor exceptions to these deadlines; resource issues is not one of them.

A significant programme of work was introduced in September 2024 to improve customer service and access to communication. This was in response to two main issues:

### 1. Lack of timely communication

Parents/young families escalate matters to formal resolution, where their informally raised issue has not been responded to in a timely manner. To minimise such recurrence, a range of channels for communication have been launched in spring 2025, including digital solutions.

### 2. Duration of Needs Assessment

Investment in locum resource and the introduction of a new model, with different ways to ensure educational psychological advice is given in a timely way, has reduced the backlog of Needs Assessment and will bring the assessment duration back into 20 weeks.

For context, the average time to issue an EHCP has reduced from 63.5 weeks in December 2024 down to a rolling 41.3 weeks in May 2025. In addition, Figure 8 below shows the number of SENA cases received per quarter for 2024/2025, has a decreasing profile.

| FY24/25         | Qtr1 | Qtr2 | Qtr3 | Qtr4 |
|-----------------|------|------|------|------|
| SENA complaints | 138  | 101  | 77   | 68   |

Figure 8 - Table show count of sena cases received by quarter for 2025/2025

In respect of 'A decision we made', commons themes include:

- Needs Assessment findings
- Provision/outcomes of initial EHCP
- Named setting/school

### School and SEN Transport

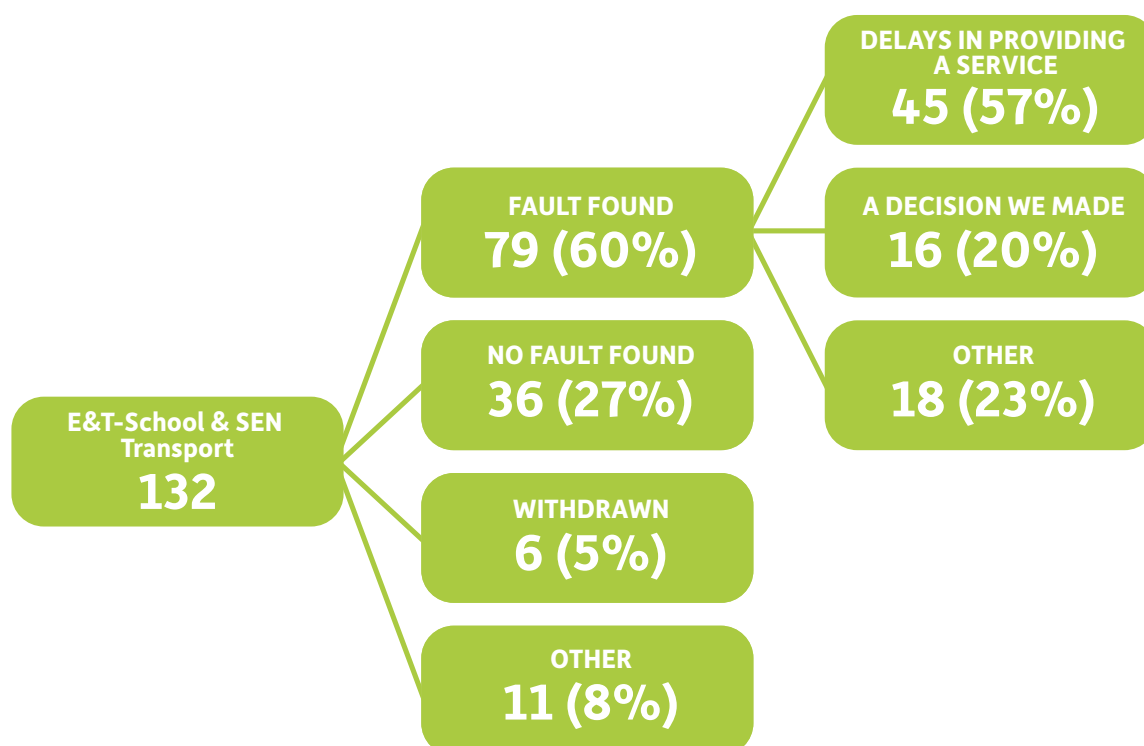


Figure 9 - Chart showing closed school & sen transport cases broken down by decision outcome and reasons for 2024/2025

79 (60%) of the 132 cases had a fault found and 57% of those 79, were due to a 'delay in providing service'; common themes include:

- Delay in sending personal transport budget
- Failure in providing transport
- Delay in processing applications

It should be noted that a dependency exists between the naming of a placement as part of the formulation of the final EHCP. This information is required to enable transport to be commissioned and influences the Transport Team's ability to procure timely transport.

## Child Protection

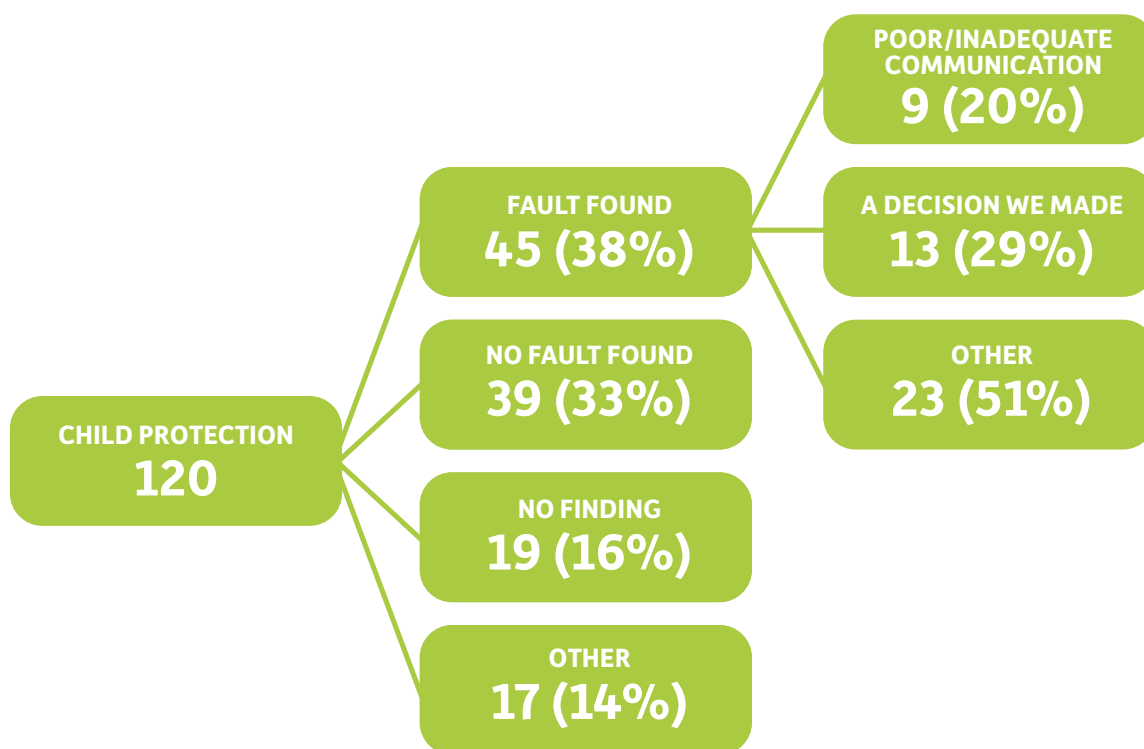


Figure 10 - Chart showing closed child protection service cases broken down by decision outcome and reasons for 2024/2025

45 (38%) of the 120 cases have a fault found, with the reason for 13 (29%) of those 45 logged as 'a decision we made'; commons themes include:

- The way the case was handled
- Lack of support

## Drainage

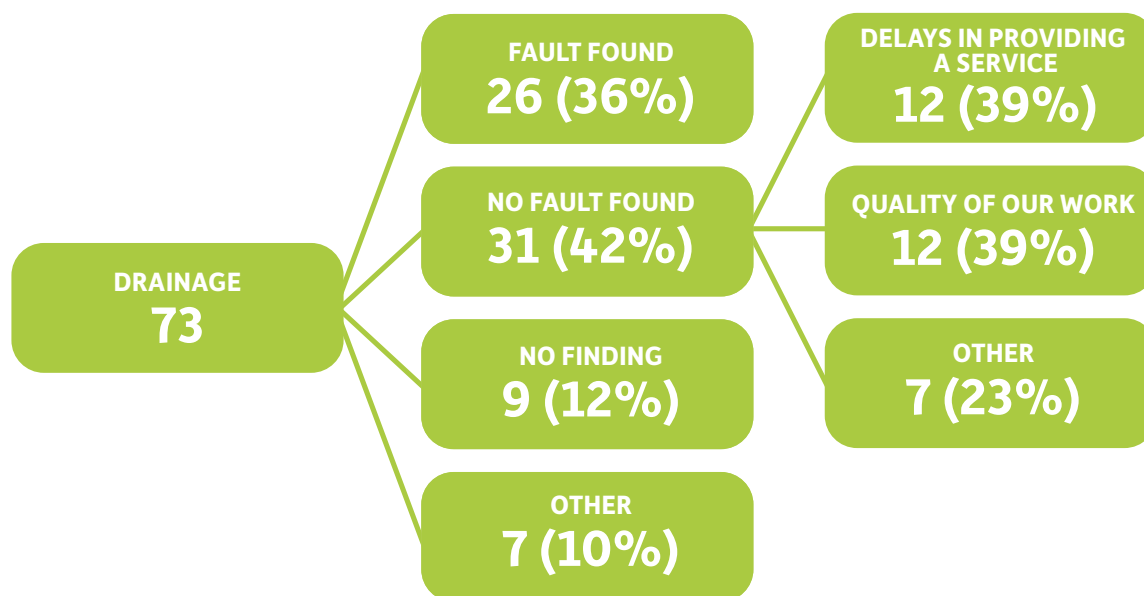


Figure 11 - Chart showing closed drainage service cases broken down by decision outcome and reasons for 2024/2025

31 (42%) of the 73 cases had 'no fault found', followed closely by 'fault found' in 26 (36%) cases. In terms of the 'no fault found' cases, the highest recorded reasons were 'a decision we made' and 'quality of our work'; common themes include:

- Blocked drain has caused flooding
- Lack of support following flooding

## Child in Need

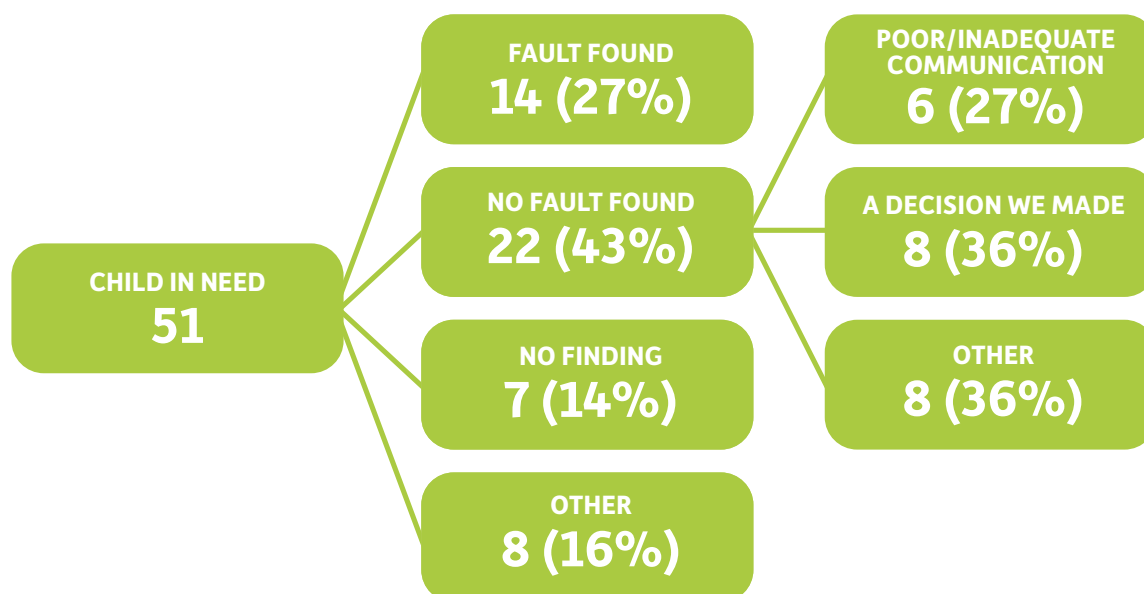


Figure 12 - Chart showing closed child in need service cases broken down by decision outcome and reasons for 2024/2025

22 (43%) of the 51 cases had 'no fault found', of which 8 (36%) were due to a 'decision we made'; commons themes include:

- Unhappy with the service process
- Unhappy with their allocated worker
- Safeguarding concerns

### Responsiveness to Corporate Complaints (Stage 1)

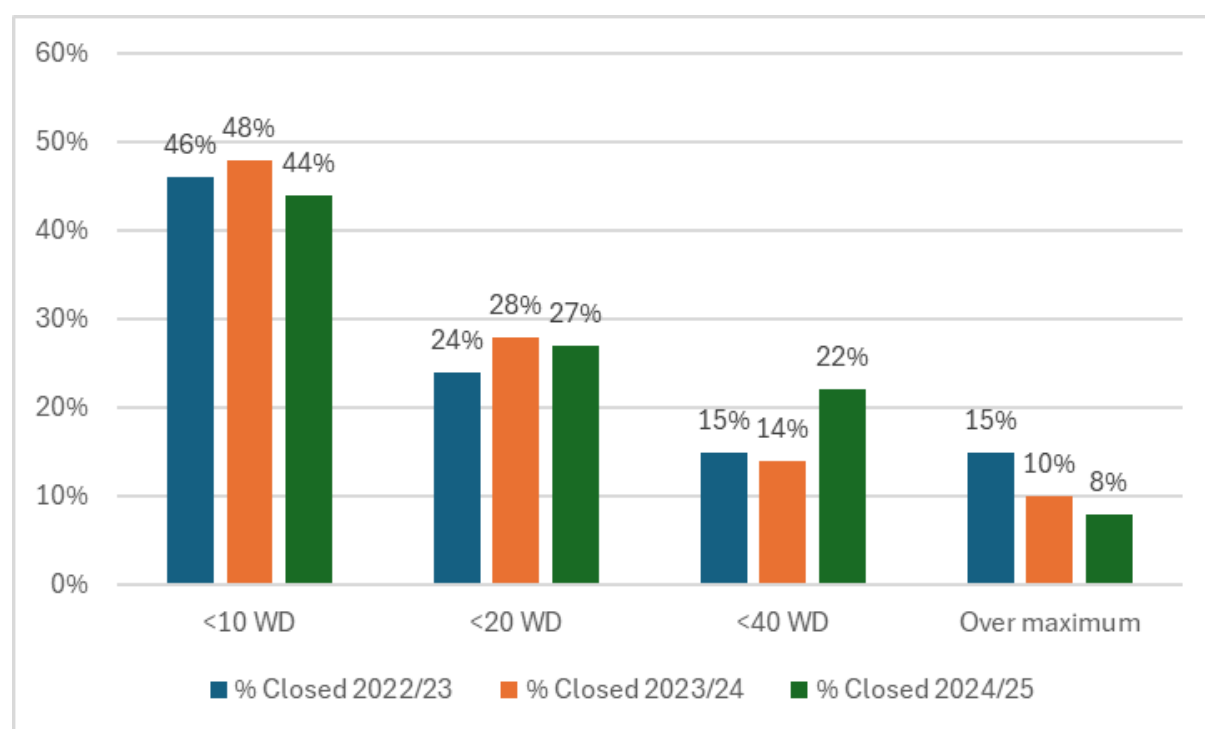


Figure 13 - Chart showing the response time for stage 1 closed corporate complaints

The Corporate Complaints Procedure states the Council aims to respond within 10 working days of receipt of the complaint, with a maximum response time of 40 working days. Between 2023/2024 and 2024/2025, there has been a slight decrease in the number of Corporate Complaints closed within 10 working days and 20 working days, an increase in complaints closed within 40 working days and a decrease of 2% in those closed over the maximum response time. Of those responded to over the maximum Stage 1 response time, 58% were complaints relating to Special Educational Needs Assessment, which falls in line with previous years.

## Responsiveness to Corporate Complaints (Stage 2)

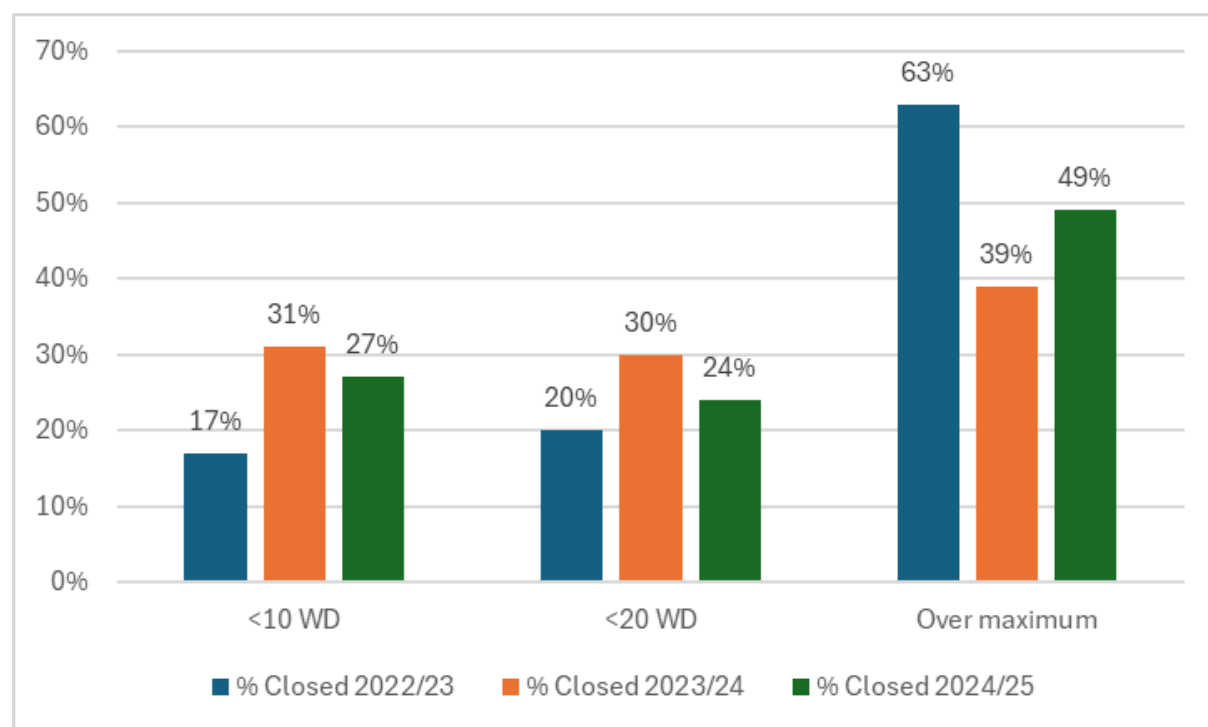


Figure 14 - Chart showing the response time for stage 2 closed corporate complaints

The Corporate Complaints Procedure states the Council aims to respond within 20 working days and includes a senior manager review. Percentages between the two most recent periods have decreased for within 10 and 20 working days and increased for cases responded to over 40 working days, therefore showing a slight dip in performance.

In 2024/25 75 complaints were escalated to Stage 2, this was a slight reduction on 2023/24 (80) and 2022/23 (82).

## Local Government and Social Care Ombudsman

The Local Government & Social Care Ombudsman (LGSCO) has authority to investigate individual complaints about most Council services. If it decides to investigate, it will look at whether a Council has made a decision(s) the right way. It does not 'review' decisions, instead it will decide if the Council has followed the right steps to make a decision or take action.<sup>1</sup>

Complainants may refer a complaint to the Ombudsman at any time; however, the Ombudsman will refer a complainant back to the Council, if the Council's relevant complaints process has not been exhausted, unless exceptional circumstances apply. The Complaints and Information Manager acts as the nominated Link Officer and handles all correspondence between the Council and the Ombudsman. The Manager tracks compliance with the Ombudsman's recommendations to remedy complaints on behalf of the Council.

The LGSCO, in conjunction with the Housing Ombudsman, launched the Complaint Handling Code in February 2024, which applies to complaints where there is no statutory process in place. Councils should consider the Code within their policies and when responding to complaints. The Ombudsman will apply the Code to their casework from April 2026.

The Ombudsman publishes data and its Annual Review of Local Government Complaints for each local authority. An Annual Review Letter is shared each year with Leicestershire County Council outlining performance against the Ombudsman three key focus areas: complaints upheld, compliance with recommendations and satisfactory remedy provided by the authority. This will also be reported to Corporate Governance Committee in November. The Ombudsman issued 2024/2025 data in May 2025, allowing incorporation into this report.

### LGCSO Demand

Typically, there is a lag between the date the Ombudsman receives an enquiry and when the Ombudsman then contacts the Council. As such, Figure 15 is the count of cases the Council receives. The case management system logs one case, whether a matter is only an enquiry or whether a matter has progressed to investigation by the Ombudsman. The number of Ombudsman cases received in 2024/2025 has decreased by 20% from the previous year.

|           | CFS | A&C | E&T | CEX | CR | PH | Total |
|-----------|-----|-----|-----|-----|----|----|-------|
| 2021-2022 | 15  | 12  | 23  | 3   | 1  | 0  | 54    |
| 2022-2023 | 44  | 18  | 16  | 1   | 1  | 1  | 81    |
| 2023-2024 | 51  | 22  | 11  | 0   | 0  | 0  | 84    |
| 2024-2025 | 34  | 18  | 14  | 0   | 1  | 0  | 67    |

Figure 15 - - Table showing the count of ombudsman cases received by department by reporting period. This reflects the performance throughout the period so will differ to figures below in figure 16.



## 2024/2025 LGSCO Annual Report Data

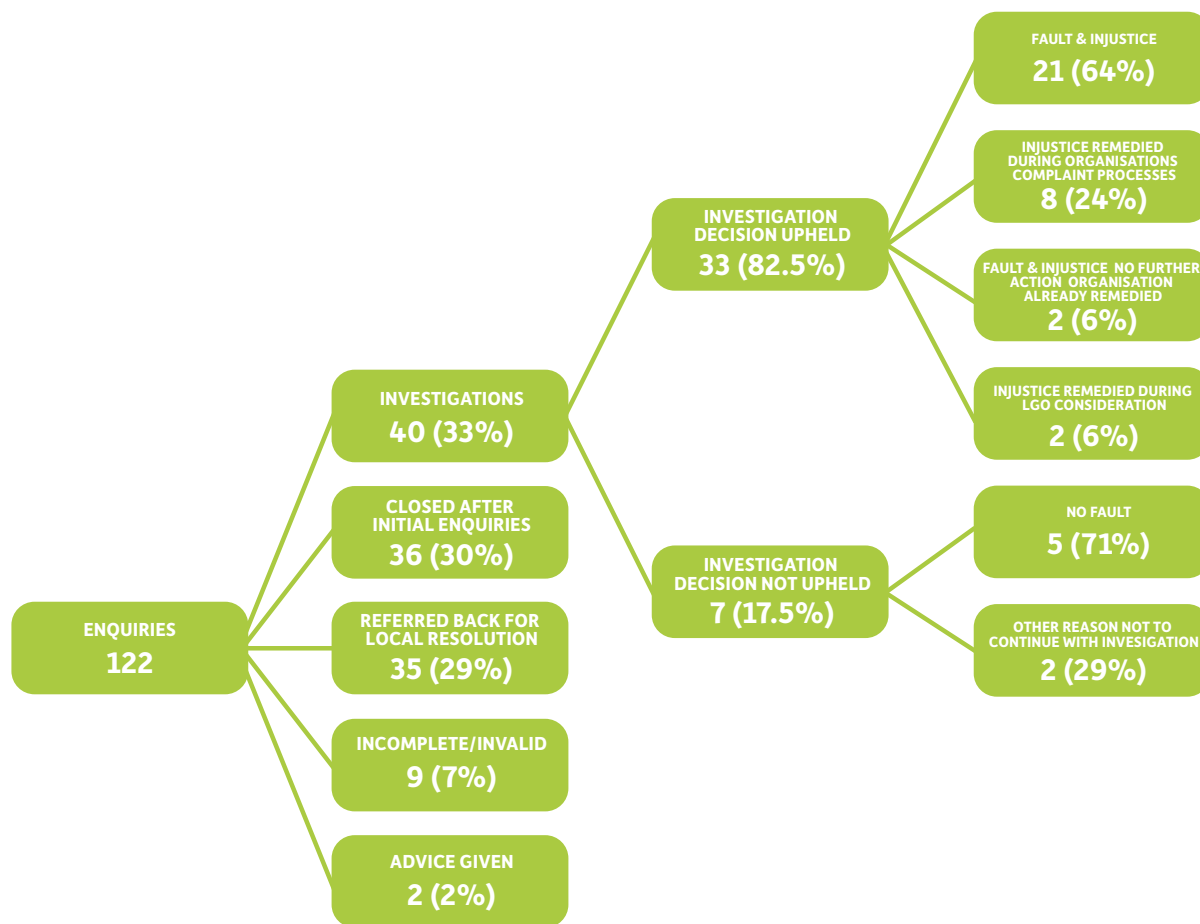


Figure 16 - Chart showing the breakdown of the Local Government and Social Care Ombudsman's performance data for 2024/2025. This reflects the demand and therefore figures will differ to those above in figure 15.

### Decisions Upheld

According to the 2024/2025 dataset, the Ombudsman investigated **40** complaints and upheld **33** (83%). This compares to an average of 89% in similar authorities. Adjusted for Leicestershire County Council's population, this is **4.5** upheld decisions per 100,000 residents. The average for authorities of this type is **5.3** upheld decisions per 100,000 residents, demonstrating above average performance.

For comparison, the 2023/2024 dataset, showed **83%** of complaints were upheld, with an average of 85% in similar authorities, giving **4** upheld decisions per 100,000 residents, with an average of **4.5**.

Brief details of those upheld are:

### SEND

45% (15) of upheld complaints were relating to SENA, key themes include:

- Non-compliance with statutory timescales
- Failure to carry out annual reviews
- SEN provision within EHC plans

## Financial assessment for care and support

30% (10) of upheld complaints were relating to care, key areas include

- Value of service user's assessed contribution
- Scope of needs identified in care and support assessment

## Satisfactory Remedy

According to the 2024/2025 dataset, in **10** (30%) out of **33** upheld cases the Ombudsman found the Council had provided a satisfactory remedy before the complaint reached the Ombudsman. This compares to an average of **10%** in similar authorities, demonstrating above average performance.

For comparison, in the 2023/2024 dataset, in 24% of upheld cases the Ombudsman found the Council provided a satisfactory remedy before the complaint reached the Ombudsman, with an average of 7% in similar authorities.

## Recommendation Compliance

According to the 2024/2025 dataset, the Council's compliance rate with the Ombudsman's recommendations was **100%**. This compares to an average of **100%** in similar authorities.

For comparison, a 100% compliance was reported in the 2023/2024 dataset also.

## Public Reports

The Ombudsman issues reports "on certain investigations, particularly where there is a wider public interest to do so. Common reasons for reports are significant injustice, systemic issues, major learning points and non-compliance with recommendations...Reports are published for 10 years."<sup>1</sup>

No public reports were issued in the reporting period 1 April 2024 to 31 March 2025.

## Remedy Payments

| Reporting Year | Remedy Payment Value Recommended by Ombudsman |
|----------------|-----------------------------------------------|
| 2022/2023      | <b>£40,750</b>                                |
| 2023/2024      | <b>£27,222.15</b>                             |
| 2024/2025      | <b>£21,113</b>                                |

Figure 17 - Table showing total value of remedy payments for each reporting period

The direction of travel across the three reporting periods shows a reduction in the total value of remedy payments, with a 22% decrease between the two most recent periods.

23 complaints were decided with a financial redress remedy, a decrease from 27 in 2023/24. 9 upheld complaints with financial remedy were due to SEN assessments. 8 upheld complaints with financial remedy were due to assessments and charging within adult care.

# Learning from Corporate Complaints

Complaints are a valuable source of information which help to identify recurring or underlying problems and potential improvements. The Council knows that numbers alone do not tell everything about the attitude towards complaints and how they are responded to locally. Arguably of more importance is to understand the impact those complaints have on people and to learn the lessons from complaints to improve the experience for others.

Lessons can usually be learned from complaints that were upheld, however, in some instances where no fault was found the Council recognises that improvements to services could still be made.

Occasionally, issues will be identified that need to be addressed over and above the original complaint. The Complaints and Information Team will always try to look at the “bigger picture” to ensure that residents receive the best possible service from the Council.

## Remedial Actions - 2024-25

All complaints where the Council’s decision outcome was ‘Fault Found’ have been reviewed to ascertain what action the relevant department took, both in remedying the fault, and wider learning to minimise or prevent such issues occurring in the future.

A sample of positive improvements the Council has made is set out below.

| You complained that                                         | We have                                                                                                         |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Refund not received                                         | New system implemented for efficient payments and staff training provided on process for issuing refunds        |
| Blue Badge Process                                          | A review of the process has been completed and a new process implemented                                        |
| Received final demand letter whilst bill being investigated | Workshop provided reminding staff not to issue final demands until case has been finalised                      |
| Delay receiving payment                                     | LCC implemented a new system for efficient payments                                                             |
| Lack of assistance provided from transport team             | Reminded the need to consider re-imbursment for mileage costs if there are delays in commissioning arrangements |
| School bus stop location unsafe                             | New designated bus stop has been assigned further along the road                                                |
| No response to emails to First Contact                      | Implemented new process where workers will phone and email customers                                            |

# Appendix A -

## Complaints and Information Team

The Complaints and Information Team continues to support departments to both manage and learn from complaints. The key services offered by the team are:

- Complaint's advice and support
- Production of Performance Reports
- Liaison with the Local Government and Social Care Ombudsman
- Quality assurance of complaint responses
- Complaint handling training for managers
- Acting as a critical friend to challenge service practice
- Support with persistent and unreasonable complainants

The Complaints and Information Manager offers regular assistance in complex cases and on occasion will act as a single point of contact within the Council. This helps manage protracted disputes and ensures consistent responses are issued.

In-house training focused on the core techniques of investigation and responding to complaints has again been promoted this year with three courses offered to Managers.

Assistance continues to be routinely provided to managers in drafting comprehensive responses to complaint investigations. This helps ensure consistency of response and that due process is followed.

Quarterly complaints reports are produced and presented to Departmental Management Teams or Senior Leadership Teams as appropriate.

# Appendix B –

## Sample of compliments received in the reporting period 1 April 2024 – 31 March 2025

- Compliment to Lount waste staff for their customer care after a fall at the site
- The BeatFeet at Wigston Library was very good, very funny and I had fun drumming, I loved it.
- The support and care given by HART is much appreciated. They worked positively with my mum to build her confidence and provide support.
- Thank you N, for everything you have done for us. Your incredible dedication, empathy and unwavering support have meant the world to us.
- A was so patient with me because I kept making mistakes but he persevered and managed to solve everything for my blue badge application. Took him 30 minutes so please thank him again from me.
- Thank you to the recycling service on George Street, Enderby and to the young chap in a cap who was very polite and although busy wished me well in my day. It was nice to have such positivity so early in the morning and his wonderful help.
- Thank you so much to N for all his support to my son and me. Also, thank you to T for being an amazing support in what was a very difficult time and for always being a listening ear.
- Thank you to the E&T team for the prompt action in fixing broken street lights.
- Thank you F for your commitment and exceptional work in delivering LCC services in a professional manner and we appreciate the support and guidance that you provided in regards to my brother.
- I have been so impressed with the way that D has dealt with my mother's case. She is truly a credit to your team.
- I spoke to the school admissions team several times and was really pleased with all the officers - it is a very helpful service.
- Staff did a fab job once again at Wigston library with a good number of fun crafts accessible and a lovely helpful atmosphere.
- Thank you to the Heritage & Museums team, the visitor centre in Leicester was excellent with lots of information, touch screens & extras, Loved it
- Thank you to R and team for doing a professional job on the Dawson's Road drainage and for being wonderful ambassadors for the council.

