



*Meeting:* **Scrutiny Commission**

*Date/Time:* **Wednesday, 11 March 2026 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. B. Piper CC
Dr. S. Hill CC	Mr J. Poland CC
Mr. A. Innes CC	Mr. K. Robinson CC
Mr. P. King CC	Mr. C. A. Smith CC
Mrs. K. Knight 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 meeting held on 28 January 2026.	(Pages 5 - 14)
2. Question Time.	
3. Questions asked by members under Standing Order 32(1).	
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 33.

- |    |                             |                                 |                 |
|----|-----------------------------|---------------------------------|-----------------|
| 8. | Member Conduct Arrangements | The Monitoring Officer          | (Pages 15 - 24) |
| 9. | Rural Strategy              | Director of Corporate Resources | (Pages 25 - 70) |

The Lead Member for Resources, Mr H. Fowler CC, has been invited to attend for this item.

- |     |  |                                 |                  |
|-----|--|---------------------------------|------------------|
| 10. | Medium Term Financial Strategy Monitoring Report | Director of Corporate Resources | (Pages 71 - 104) |
|-----|--|---------------------------------|------------------|

The Lead Member for Resources, Mr H. Fowler CC has been invited to attend for this item.

11. Date of next meeting.

The next meeting of the Commission is scheduled to take place on 18<sup>th</sup> March 2026.

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

## QUESTIONING BY MEMBERS OF OVERVIEW AND SCRUTINY

The ability to ask good, pertinent questions lies at the heart of successful and effective scrutiny. To support members with this, a range of resources, including guides to questioning, are available via the Centre for Governance and Scrutiny website [www.cfgs.org.uk](http://www.cfgs.org.uk). The following questions have been agreed by Scrutiny members as a good starting point for developing questions:

- Who was consulted and what were they consulted on? What is the process for and quality of the consultation?
- How have the voices of local people and frontline staff been heard?
- What does success look like?
- What is the history of the service and what will be different this time?
- What happens once the money is spent?
- If the service model is changing, has the previous service model been evaluated?
- What evaluation arrangements are in place – will there be an annual review?

Members are reminded that, to ensure questioning during meetings remains appropriately focused that:

- (a) they can use the officer contact details at the bottom of each report to ask questions of clarification or raise any related patch issues which might not be best addressed through the formal meeting;
- (b) they must speak only as a County Councillor and not on behalf of any other local authority when considering matters which also affect district or parish/town councils (see Articles 2.03(b) of the Council's Constitution).



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Minutes of a meeting of the Scrutiny Commission held at County Hall, Glenfield on Wednesday, 28 January 2026.

PRESENT

Mrs D. Taylor CC (in the Chair)

Dr. J. Bloxham CC  
Mr. M. Bools CC  
Mrs. L. Danks CC  
Dr. S. Hill CC  
Mr. A. Innes CC  
Mr. P. King CC

Mrs. K. Knight CC  
Mr. M. T. Mullaney CC  
Mr. B. Piper CC  
Mr J. Poland CC  
Mr. K. Robinson CC  
Mr. C. A. Smith CC

In attendance

Mr. D. Harrison CC (minute 56 refers).  
Mr. H. Fowler CC (minutes 56, 57, 58 and 60 refer).  
Mr. K. Crook CC (minute 57 refers).  
Mr. V. Richichi CC (minute 57 refers).

48. Minutes of the special meeting held on 29 October 2025.

The minutes of the special meeting held on 29 October 2025 were taken as read, confirmed and signed.

49. Minutes of the previous meeting.

The minutes of the meeting held on 10 November 2025 were taken as read, confirmed and signed.

50. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

51. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

52. Urgent items.

The Chairman advised that there was one urgent item for consideration arising from posts which had been made on social media by two County Councillors since the Scrutiny Commission agenda had been published.

53. 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.

Mr. P. King CC declared an Other Registerable Interest in Agenda Item 10: Medium Term Financial Strategy 2026/27 – 2029/30 – Chief Executive’s Department as he was a member of the Local Government Association People and Places Board.

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

There were no declarations of the party whip.

55. Presentation of Petitions.

The Chief Executive reported that no petitions had been received under Standing Order 36.

56. Provisional Medium Term Financial Strategy 2026/2027 - 2029/2030

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2026/27 – 2029/30 Medium Term Financial Strategy (MTFS) as it related to Corporate and Central items. The report also provided an update on changes to funding and other issues arising since the publication of the draft MTFS and provided details of a number of strategies and policies related to the MTFS. A copy of the report marked ‘Agenda Item 9’ is filed with these minutes.

The Chairman welcomed the Leader of the Council, Mr. D. Harrison CC, and Cabinet Lead Member for Resources, Mr. H. Fowler CC, to the meeting for this item.

In presenting the report the Leader explained that his administration was tackling the issue of flooding in Leicestershire and was allocating additional financial resources to the problem. The Leader also emphasised the importance of the efficiency review being undertaken by Newton Impact and stated that he was confident that it would produce significant savings. The Leader said that he was in favour of tax cuts where possible.

Arising from discussion, the following points were made:

- (i) Cabinet would be considering the budget proposals at its meeting on 3 February 2026. The detailed report relating to those proposals was aimed to be published on Thursday 29 January 2026. The comments from the Scrutiny Commission would be fed into that report. The report would be accompanied by a statement of assurance from the Section 151 Officer. Members raised concerns that it was difficult to scrutinise the MTFS at the Scrutiny Commission meeting when all the details were not available, and questioned whether this was normal procedure. In response it was explained that the exact timings depended on a variety of factors and changed from year to year. It was not unusual for assumptions to be changed between the draft budget published in December and the final budget. The level of changes this year was in line with previous years.

Revenue Budget and Growth

- (ii) In response to questions about the level of confidence there was in the savings the efficiency review would produce, it was explained that whilst the review had to date

identified savings opportunities, the exact amount of savings was not yet clear as the review was still in progress. Companies such as Newton Impact tended to focus on larger savings which would take longer to develop and then appear in the budget. The areas for savings that Newton were currently investigating had been set out at a cross-party working group which had taken place on 26 January 2026. A briefing note regarding those savings would be circulated to group leaders. Newton Impact were expected to complete their review in March 2026. At this point it would be clearer as to whether service cuts would be required. The Leader emphasised that he hoped to avoid making service cuts.

- (iii) Members pointed out that at a meeting of the Scrutiny Commission on 8 September 2025 the Leader had indicated that he had some savings in mind. Members asked for further detail and queried whether these savings were in addition to the savings proposed by Newton Impact. The Leader re-iterated his confidence that the savings would come forward but explained that he could not provide the detail until his budget proposals were set out in the Cabinet report. The Cabinet Lead Member for Resources stated that the long-term trajectory for the Council's finances was promising, and whilst he understood the eagerness of some members to know exactly where savings were to be made, it was a long process and required patience in the short term.
- (iv) There was not a specific target number of savings for Newton Impact to identify but the aim was for them to help reduce the budget gap as much as possible.
- (v) Leicestershire County Council was part of the National Joint Council pay negotiating process for all local authorities in England. In response to a question from a member as to whether any consideration was being given to withdrawing from the national pay negotiations, and instead the Council negotiating pay with its own staff in order to save money, it was confirmed that no conversations had taken place in this regard. Were the Council to decide that it did wish to withdraw from the national pay negotiations, it could be a lengthy process involving consultation with staff and unions, and any savings would not come to fruition until later in the MTFs period. A member raised concerns about the impact this approach could have on staff morale.
- (vi) The government had carried out a fair funding review aimed at redistributing local government funding in England based on up-to-date assessments of need, rather than outdated data. The results had been implemented in the provisional local government finance settlement for 2026/27 and some local authorities had seen a significant increase in their funding. In response to concerns raised by members that Leicestershire County Council had not benefitted from the fair funding review, it was explained that the draft MTFs considered by Cabinet in December had included some assumptions about the level of increase in funding arising from the funding review, and the table at paragraph 9 in the report set out the funding increases over and above that, so the funding uplift was larger than it appeared, though Leicestershire would remain one of the lowest funded areas.
- (vii) The reset of the Business Rates retention system meant that the income to the Leicester and Leicestershire Business Rates Pool would reduce and the pool would be dissolved for 2026/27. This had been taken into account when the draft MTFs had been prepared and the income from Business Rates had not been included for

any of the MTFS period.

### Savings

- (viii) The proposed MTFS included a contingency of £8m each year for specific key risks that could affect the financial position on an ongoing basis. Members queried whether the £8m was enough given the level of the deficit and the growth in social care spending. In response it was explained that the MTFS had £130 million growth built into it to cover issues such as social care. The £8 million was in addition to that to cover in-year changes.
- (ix) Care had to be taken when projecting growth for the budget. Whilst it was not desirable to predict an artificial budget gap that never actually materialised, it was not helpful to be too optimistic and therefore not plan appropriately for additional spending.

### Reserves

- (x) The Council's previous strategy had been for the budget equalisation reserve to support the first two years of financial gaps in the MTFS, but based on current projections the equalisation reserve was only sufficient to support 2026/27 and 2027/28 in part. Members expressed strong concerns about this and queried how financial gaps would be filled if the budget equalisation reserve was used up. In response it was explained that the best option was for savings to be found to balance the budget, and after that consideration would need to be given to council tax levels. The Council was by law required to set a balanced budget for each year and members were assured that officers had confidence that the budget would be balanced for 2026/27. Using the budget equalisation reserve was a last resort and was not sustainable over the longer term. The Council was trying to get back to a position where the budget equalisation reserve covered two years of the MTFS. The budget equalisation reserve was not the only reserve held by the County Council; there were other earmarked reserves held for specific purposes.
- (xi) SEN spend was forecast to be significantly more than the high needs block funding received, therefore the Council's policy was to set aside some funding towards covering that deficit. A member queried Leicestershire County Council's approach to the SEN deficit and whether other authorities were taking the same approach. However, it was not always transparent how other authorities were managing it. The Government had indicated that from 2028/29 they would absorb some SEND costs but this support was not unlimited. It was not clear how the government would fund this support and what financial risk would remain for the County Council.
- (xii) As of 31 March 2026 there would be £8m remaining in the budget to be used to invest in transformation projects to achieve efficiency savings and also to fund severance costs. The £1.4 million fee for Newton Impact would have already been paid by that point so would not need to be included in the 2026/27 budget.

### Capital Programme

- (xiii) The Council directly owned and managed properties, including Industrial, Office and County Farms as part of the Investing in Leicestershire Programme (iLP). A

member questioned whether it was appropriate for the Council to invest in this type of capital when it was struggling to fund capital for its own Council services. In response it was emphasised that annual income returns were currently around £9 million and capital appreciation was also a benefit to the Council. The Leader and Cabinet Lead for Resources confirmed that they supported the Programme and the funding invested in it each year.

- (xiv) In response to a question from a member, it was explained that there was no known link between the council tax levels a local authority chose to set, and the success of a local authority in obtaining capital grants from central government. Council Tax was already taken into account in the funding formula.

### Budget Consultation

- (xv) A consultation had taken place regarding the public's views on the savings plan and the appetite for Council Tax increases. The consultation had closed on 18 January 2026 and the number of responses received was similar to the previous year. The responses were still being collated and analysed and a summary would be included with the report for Cabinet which would be published on 29 January 2026.
- (xvi) The draft MTFS took into account a projected increase in the National Living Wage which some Council employees were on. The Chair queried whether this would be funded by service cuts or using reserves, but in response it was explained that the budget did not allocate funding specifically in that way. The wage increases would be funded by a combination of an increase in government funding, a council tax increase, and savings.

### RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the comments now made be submitted to the Cabinet for consideration at its meeting on 3 February 2026.

### 57. Medium Term Financial Strategy 2026/30 - 2029/30 - Chief Executive's Department

The Commission considered a joint report of the Chief Executive and the Director of Corporate Resources which provided information on the proposed 2026/27 – 2029/30 Medium Term Financial Strategy (MTFS) as it related to the Chief Executive's Department. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

In addition to the Lead Member for Resources, the Chairman welcomed the Lead Member for Marketing, Promotion and Tourism Mr. K. Crook CC, and the Lead Member for Regulatory Services Mr. V. Richichi CC, to the meeting.

Arising from discussion and questions, the following points were made:

- (i) Registration Services ceremony room fees were reviewed for increases year on year with a focus on fee revisions based on the popularity of each ceremony room. It was necessary to be commercially sensitive on any price increases. An overall 5% increase would be applied for 2026/27.

- (ii) For 2026/27 there was to be a saving of £10,000 arising from a reduction in civic events. A list of which civic events would be provided to members after the meeting.
- (iii) Responsibility for Communities would be transferred to the Public Health department from 1 April 2026 and the whole of the department would come under the Director of Public Health. It was felt that the communities work aligned well with Public Health particularly with regards to the locality place-based work. The Head of Communities, Policy and Resilience post would be deleted which would produce a saving.
- (iv) Included in the revenue budget were subscriptions to the value of £69,000. This figure related to several subscriptions that Corporate Resources required. The full list of subscriptions would be circulated to Committee members after the meeting.
- (v) Leicestershire County Council was joining the Local Government Association (LGA) because they provided training and best practice advice, as well as networking opportunities and peer reviews. A document which set out the benefits of joining the LGA would be circulated to Scrutiny Commission members after the meeting. Currently Leicestershire County Council was one of only two Councils not part of the LGA.
- (vi) The Council was also joining the County Councils Network (CCN) as this would better enable the Council to engage with government on policy development. The CCN had also been involved with Local Government Reorganisation discussions.
- (vii) A member pointed out that County Councils were expected to play a greater role in strategic planning going forward and therefore questioned whether the MTFs should include growth for the planning department. In response it was acknowledged that the new planning system had implications for the Council's statutory role as the Minerals and Waste Authority and the requirement to prepare a new Minerals and Waste Local Plan. However, it was explained that the regulations underpinning the new plan making system had not yet been published shortly therefore it was too early to know what growth would be required.
- (viii) The Trading Standards department did not have the capacity to tackle every case reported to them immediately and therefore had to make prioritisation decisions about when to intervene based on risk assessments. It was proposed to seek growth for 2027/28 to recruit at least three additional Trading Standards Investigators at an estimated cost of £185,000 per annum. Members welcomed this investment, and emphasised the quality and importance of the work provided by the Trading Standards department. In response to a question about cross local authority boundary work, it was explained that Leicestershire County Council was part of Trading Standards East Midlands (TSEM) hosted by Nottinghamshire County Council. Leicestershire County Council could also submit bids to National Trading Standards (NTS) for funding to tackle trading standards cases that had a regional element to them. The Lead Member for Regulatory Services stated that he supported the cross-boundary work.

## RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the comments now made be submitted to the Cabinet for consideration at its meeting on 3rd February 2026.

58. Medium Term Financial Strategy 2026/27 - 2029/30 - Corporate Resources Department

The Commission considered a report of the Director of Corporate Resources which provided information on the proposed 2026/27 – 2029/30 MTFS as it related to the Corporate Resources Department. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

The Lead Member for Resources remained at the meeting for this item.

In introducing the report, the Lead Member for Resources stated that the intention was to keep growth within the department to a minimum, in order that funding could be used for frontline services. It was a positive that the budget for this department had been able to be reduced.

Arising from discussion and questions, the following points arose:

- (i) A public consultation had been carried out regarding the future use of Beaumanor Hall. The results of the consultation were being collated and then proposals would be put together and a report containing recommendations would be published in the next few months.
- (ii) The expectation was that more staff would be returning to working at County Hall as their main base rather than at home. A member questioned whether this would impact the Council's ability to rent space at County Hall to external organisations. In response it was explained that the renting of space had been paused until the details were known of how many County Council staff would be returning to County Hall permanently. With regards to the rental contracts with external organisations that had already been signed these had been designed to be as flexible as possible. It was acknowledged that there could be a reduction in rental yield arising from these changes.
- (iii) A member queried whether the renting out of space at County Hall would cause problems once Local Government Reorganisation (LGR) had taken place because more space for Council staff could be needed at County Hall. In response it was explained that after reorganisation it was usually the case that less office space was required. Assurance was given that after LGR there would still be the option to bring in income from renting out space at County Hall.
- (iv) There was expected to be an increase in the dividend payment received from the Council's share in Eastern Shires Purchasing Organisations (ESPO). The current dividend yield was £1 million. ESPO was looking at opportunities to grow the business.

- (v) Investment was being made to strengthen the Council's ICT cyber security infrastructure. Cyber security insurance was available but the cost was prohibitive. It would also require the Council to put mitigations in place which were not practical. The Council had put other measures in place to insure against a possible cyber attack such as encryption and back-ups of systems.

RESOLVED:

- (a) That the report and information now provided be noted;
- (b) That the comments made by the Commission be presented to the Cabinet for consideration at its meeting on 3<sup>rd</sup> February 2025.

59. Medium Term Financial Strategy 2026/27 - 2029/30 - Consideration of responses from other Overview and Scrutiny Committees.

The Commission considered extracts from the minutes of the Overview and Scrutiny Committee meetings held to consider the Medium Term Financial Strategy 2026/27 – 2029/30 so far as this related to the County Council departments. A copy of the minute extracts from each meeting is filed with these minutes.

The Director of Corporate Resources stated that nothing had been raised at the Overview and Scrutiny meetings which would mean that any significant changes to the MTFS would have to be made.

RESOLVED:

That the comments made by each of the Overview and Scrutiny Committees be submitted to the Cabinet for consideration at its meeting on 3<sup>rd</sup> February 2026.

60. Draft Revised Investing in Leicestershire Programme Portfolio Management Strategy 2026 - 2030

The Commission considered a report of the Director of Corporate Resources which sought members' views on the revised Investing in Leicestershire Programme (IILP) Portfolio Management Strategy 2026 – 2030 which set out the proposed approach to future asset management and investment. A copy of the report marked 'Agenda item 13' is filed with these minutes.

In introducing the report, the Lead Member for Resources stated that the IILP was valued hugely and was not just a short-term measure, it was a long-term sustainable solution.

The Chairman noted that the IILP had been set up under the previous Conservative administration, and no significant changes to it had been made by the new administration, therefore she fully supported the IILP.

As part of discussions, the following points were made:

- (i) A member stated that the 'Clean and Green' section should be removed from the Strategy. In response the Cabinet Lead Member for Resources agreed with this suggestion but explained that the IILP was aligned with the County Council's

broader Strategic Plan, and Clean and Green was part of that Plan. The Strategic Plan was approved by County Council therefore any amendments to the Plan would have to be considered by County Council.

- (ii) The Portfolio achieved a net income return of 3.0%. Some members were of the view that this was a low return given the size of the assets. In response it was explained that there were legal restrictions on the investments that could be made as part of the Programme. It was agreed that a briefing note regarding the restrictions would be circulated to Commission members after the meeting.
- (iii) With regards to diversifying the investments under the Programme, a member pointed out that a lot of the investments related to property and suggested that more investments should be made in other areas.
- (iv) A member raised concerns that the Programme was investing in private debt and suggested that the Programme should instead invest in local projects of benefit to the whole community.

RESOLVED:

- (a) That the update now provided on the refreshed Investing in Leicestershire Programme Portfolio Management Strategy 2026 – 2030 be noted;
- (b) That the comments of the Scrutiny Commission be submitted to the Cabinet for consideration at its meeting on 3rd February 2026.

61. Date of next meeting.

RESOLVED:

That the next meeting of the Commission be held on 11 March 2026 at 10.00 am.

62. Governance arrangements.

The Committee considered this matter, the Chairman having decided that it was of an urgent nature. The Chairman read out the following statement:

““I wish to make a brief statement concerning a serious matter of public interest.

In recent days, two members of the Council have shared posts on social media which have caused considerable concern within the community. I have been contacted by various elected members, residents and staff who are very upset about these posts.

I wrote to the Leader on Sunday evening, and I thank him for his robust response. I look forward to a further update regarding what actions he intends to take.

While the Scrutiny Commission does not determine individual conduct issues — those matters are dealt with under the Members’ Code of Conduct and the statutory process overseen by the Monitoring Officer.

The Commission has a duty of care to staff and residents to ensure the highest standards of moral and professional conduct.

Therefore, it is within our remit to consider the wider implications for governance, public confidence, and the standards expected of those holding positions of responsibility within this authority.

As Chair, I feel it is important to acknowledge the level of public and staff distress, particularly where the posts in question relate to members who hold significant responsibilities. The Commission has a duty to ensure that the Council's governance arrangements support transparency, accountability, and trust.

I am therefore asking that, at an appropriate future meeting, we receive a report outlining the current processes for managing reputational risk, standards expectations for members in public-facing roles, and any relevant implications for governance and public confidence arising from incidents of this nature.

I want to emphasise that this statement is not a judgement on any of the individuals involved. It is, however, a recognition that public trust is integral to effective local government, and that the Scrutiny Commission has a legitimate role in ensuring our governance structures are robust, transparent, and responsive to community concern.”

10.00 am - 12.36 pm  
28 January 2026

CHAIRMAN



## **SCRUTINY COMMISSION – 11 MARCH 2025**

### **REPORT OF THE MONITORING OFFICER**

#### **MEMBER CONDUCT ARRANGEMENTS**

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

1. The purpose of this report is to set out the Council's ethical governance arrangements relating to member conduct, following a request made by the Scrutiny Commissioners in January this year. The report is focused on the framework, processes and governance measures in place. The report does not consider individual allegations of misconduct, nor the merits of any specific complaints, which fall outside the remit of scrutiny.
2. In addition, the report highlights where leadership on conduct and standards is exercised alongside the formal standards framework, particularly through the expectations placed on all elected members regarding demonstrating high standards of behaviour and the role of political group leadership and committee chairs in modelling and promoting the importance of ethical standards and behaviour.

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

3. The County Council's current local standards arrangements, as required by the Localism Act 2011, came into effect on 1<sup>st</sup> December 2021. This followed the introduction of a model Code of Conduct developed by the Local Government Association (LGA) in response to recommendations made by the Committee on Standards in Public Life in 2019.
4. This Council's Corporate Governance Committee has responsibility for promoting and maintaining high standards of conduct by members and co-opted members and oversees the arrangements in place to deliver this.

##### **Background**

5. The County Council has a well-established, structured framework for promoting and maintaining high standards of conduct by elected and co-opted members. This framework forms part of the Council's wider ethical and corporate governance arrangements designed to support transparency, accountability and public confidence in local decision making.

6. The framework comprises:
- An adopted Members' Code of Conduct.
  - Provisions for the declaration and management of interests, gifts and hospitality.
  - A procedure for handling complaints alleging breaches of the Code, including the establishment of a Member Conduct Panel and the appointment of six independent persons to support this process.
  - Oversight by the Corporate Governance Committee.
  - Training and guidance to support members in understanding their obligations.
  - A Protocol on Member/Officer Relations.

### **The Members' Code of Conduct**

7. The Localism Act 2011 established the current standards and conduct framework for all local authorities. This requires every local authority to adopt a code of conduct, the contents of which must, as a minimum, be consistent with the seven Nolan principles of standards in public life (selflessness, integrity, objectivity, accountability, openness, honest and leadership), and set out rules on requiring members to register and disclose pecuniary and non-pecuniary interests. Beyond these requirements it is for individual councils to set their own local code.
8. In January 2021, the LGA issued a model code of conduct supported by detailed guidance issued later that year. The model code was developed by the LGA following a report by the Committee on Standards in Public Life which made various recommendations (recommendations which were considered by the Corporate Governance Committee in May 2019) to strengthen local authority codes of conduct.
9. As Leicestershire is a two-tier authority area, some Members serve on two or more local authorities (i.e. are dual-hatted County and district councillors). The County and district Monitoring Officers therefore met to identify areas of commonality to achieve, as far as possible, a common code for Leicestershire. Following those discussions and consultation with a subgroup of the Corporate Governance Committee, minor revisions were made to the LGA model code to reflect local issues, creating a locally amended model code which the Council adopted on 1<sup>st</sup> December 2021.
10. The Code, which forms Part 5A of the Council's Constitution, sets out the standards of behaviour required of members when acting in their official capacity, providing a clear statement of expectations in relation to their conduct regarding:
- Respect
  - Bullying, harassment and discrimination
  - Impartiality of officers
  - Confidentiality and access to information

- Not bringing the Council into disrepute
- Proper use of position
- Use of the Council's resources
- Decision making

11. The Code is published on the Council's website and additional guidance linked to the Code produced by the LGA is made available to all members on the Elected Members Portal.

### **Interests and Gifts and Hospitality**

12. The Code requires members to register Disclosable Pecuniary Interests (i.e. financial interests such as a members' employment or interest in land within the County etc.), with breaches constituting a criminal offence under the Localism Act 2011, and Other Registerable Interests (which are interests in other bodies such as a charity or one which exercises functions of a public nature, such as a district council or parish council). It also requires members to register gifts and hospitality above the specified threshold of £50.
13. Standard forms, guidance and flowcharts are made available to members to support compliance and consistency. All members registers of interest are published on the Council's website in accordance with regulations and to ensure public transparency.
14. A bi-annual reminder is sent to all members requesting them to check and review their registers to ensure these are kept up to date.
15. Interests declared at meetings in accordance with the Code are recorded in the minutes of those meetings and published against the relevant members personal profile on the Council's website for public reference.

### **Arrangements for Handling Complaints**

16. The Corporate Governance Committee in September 2012 approved the Procedure for dealing with allegations of a breach of the Members' Code of Conduct. Since then, this has been regularly reviewed and updated (in 2017, 2021 and 2023) following consultation with the Chairman and Spokespersons of that Committee to ensure it remains fit for purpose and aligns with good practice.
17. The arrangements set out how complaints will initially be considered by the Monitoring Officer and thereafter progressed to the Member Conduct Panel where appropriate. It aims to ensure fairness, consistency, confidentiality and proportionality.
18. Complaints may come from members of the public, officers and other members, or by referral from the Corporate Governance Committee. Complaints are required to be made in writing either by email or by completing a complaints form on-line. Guidance on how to make a complaint is published on the Council's website (<https://www.leicestershire.gov.uk/about-the->

[council/how-the-council-works/councillors-and-conduct/councillor-code-of-conduct](#)).

19. The Procedure authorises the Monitoring Officer to dispose of complaints which fall outside the scope of the Code (at the Initial Test stage of the Procedure), or which do not merit formal investigation, but which can be resolved informally (as part of the Early Assessment stage of the Procedure), following consultation with the Independent Person. This ensures inappropriate matters are filtered out or resolved at an early if this is considered to be the most appropriate and proportionate way of dealing with a complaint.
20. LGA guidance on informal resolution makes clear that, whilst both the subject member and the complainant should be given the opportunity to comment before a final decision on informal resolution is made, this is not intended to give either party a veto; rather, it is to assess how successful the resolution might be; it may still be appropriate to conclude that an apology is a reasonable and proportionate outcome and the best use of resources in the circumstances, even if not accepted.
21. To ensure that complaints which are referred to the Member Conduct Panel for assessment are dealt with in a fair and balanced way, the Panel must have regard to certain criteria. The criteria, approved by the Corporate Governance Committee in 2012 are attached to the Procedure, and mirror those which were adopted prior to implementation of the Localism Act. They have therefore operated effectively as a measure by which each complaint is assessed by the Panel for a number of years.
22. What information is made public about complaints received will depend on the stage reached in the Procedure and the outcome. The Monitoring Officer and the Member Conduct Panel may have to consider unfounded and potentially damaging complaints about an individual which it would not be appropriate to make public early in the process and prior to an investigation having been carried. All complaints are therefore treated as confidential when they are received and first considered by the Monitoring Officer and the Panel.
23. Where an investigation finds that a breach of the Code has occurred then a hearing will be held for the Panel to make a determination about whether they agree that the Code has been breached. Details of the complaint are generally made public as part of that process.
24. Where a complaint is informally resolved by agreement between the parties, without the need for a formal investigation (this is usually by way of an apology) the identity of the member who is the subject of the complaint and a summary of the complaint will be reported to the Corporate Governance Committee as part of the Monitoring Officer's annual report regarding member conduct. It is considered to be in the public interest that these details are made public in circumstances where there is an acknowledgement of fault on behalf of the relevant Member.

25. Where a conclusion is reached that the Code of Conduct has not been breached or where the Monitoring Officer concludes, following their initial assessment, that no further action needs to be taken (for example because the complaint does not relate to a County Councillor, or does not relate to a Councillor when acting in their official capacity), the identity of the member will remain confidential. This is because there is no reason for making their identity public in these circumstances and no public interest in doing so.

### **Member Conduct Panel**

26. The Localism Act 2011 repealed the requirements of the previous standards regime which required all local authorities to have a standards committee. The Act instead simply imposed a duty to promote and maintain high standards of conduct by members and co-opted members. How each authority discharges this duty is a matter of local choice provided that this includes arrangements under which allegations of breaches of the Code can be dealt with.
27. In 2012, in addition to adopting the above Procedure, the Council established the Member Conduct Panel to consider complaints referred to it by the Monitoring Officer. The Panel decides whether a complaint warrants an investigation and, when necessary, will conduct a hearing to determine whether or not the Code has been breached, as well as determine what, if any, sanctions should be imposed.
28. The Panel is a politically balanced five-member panel, membership of which is selected on an ad hoc basis from a pool of members nominated by each political group.

### **Independent Persons**

29. The Localism Act requires that the views of an independent person is sought prior to any decision being made about a complaint either by the Monitoring Officer or the Member Conduct Panel. In September 2024 the Council appointed six independent persons to support the complaints process for a term of four years.
30. Independent persons can be consulted throughout all key stages of the Procedure by the Monitoring Officer and the Panel and, in the interest of fairness, by the member complained about. They give their views on complaints but are not able to investigate cases and have no power to make decisions. Their role is advisory only.
31. The role of independent members adds objectivity, impartiality and an external viewpoint to complaints. Their role also provides reassurance to the public that standards assessments are not just an internal arrangement of members 'marking their own homework'.
32. Establishing a panel or committee of members to consider complaints made against their peers is considered good practice. Peers understand the context, pressures and expectations of the role of an elected member and so are able to

give an informed and balanced view on complaints made. However, the added involvement of an independent person in that process also ensures external, impartial input is obtained which leads to stronger governance overall.

### **Governance Oversight**

33. Oversight of Member Conduct arrangements sits within the Council's broader governance structure which is currently overseen by the Corporate Governance Committee. It has responsibility for promoting, overseeing and maintaining high standards of conduct and ethical governance across the Authority. It does not investigate or consider individual complaints, these being a matter for the Member Conduct Panel.
34. The Committee receives an annual report from the Monitoring Officer regarding complaints received in year. The Monitoring Officer also meets with the Chair and Spokespersons of the Committee once a year to discuss complaints privately, noting that members details are required to be kept confidential until a proper investigation has been carried out. This is to provide added assurance as to the consistent application of the Procedure by the Monitoring Officer, the involvement of Independent Persons in the process and to consider any trends or patterns in the complaints received.

### **Training Guidance and Member Support**

35. A dedicated training session on the Members' Code of Conduct was held for all Members in May 2025 following the election. This was aimed at ensuring Members understood both their legal obligations and how to model expected behaviour in their roles. This was delivered by the Monitoring Officer and covered:
  - The importance of standards in public life
  - The Nolan Principles
  - The structure and purpose of the Members' Code of Conduct
  - Expectations of member behaviour
  - Types of conduct that could result in action being taken
  - The link between the Code, lawful decision-making and public confidence
36. Detailed guidance on the Code produced by the LGA which includes practical scenarios to support Members understanding has also been shared and made available on the Elected Member Portal.
37. Specific training has also been provided to all Members on social media and written guidance shared through the Portal. The training set out the legal and reputational risks of social media use and how the Members' Code of Conduct applies online. It provided specific advice on managing interactions with the public online and provided practical options for dealing with inappropriate online behaviour.
38. Further guidance has also been shared via the Portal which clarifies when members are deemed to be acting in an official capacity online, covers matters

such as confidentiality and harassment and abuse online, and sets out the overall expectations for respectful online behaviour.

39. Whilst training is not mandatory, the Code includes a commitment by Members to undertake training provided by the Council on the Code of Conduct. To support those who were unable to attend, a recording of the training together with copies of the presentation slides has been made available for viewing via the Elected Member Portal.
40. In addition to the above, specific induction training is provided to all members of the Corporate Governance Committee prior to attending their first meeting regarding the role of the Committee, including its responsibilities around standards and ethical governance as part of the Council's wider governance and assurance framework.

### **Leadership, culture and shared responsibility for high standards**

41. Although the Council's formal arrangements for member conduct (the Code, the complaint-handling procedure and the Member Conduct Panel) sit within the governance framework overseen by the Corporate Governance Committee, the responsibility for upholding high standards is shared. The Nolan principle of Leadership applies to all public office-holders and requires members not only to demonstrate the principles in their own behaviour but also to promote and support those principles and to challenge behaviour that falls below expectations.
42. The Council therefore relies on both the standards framework described in this report and the day-to-day leadership demonstrated by members in positions of responsibility and influence, including the Leader and Cabinet, political group leaders/whips, committee chairs and spokespersons, as well as individual members.
43. This leadership is exercised not through control of the Code or complaints procedure, but through setting expectations and modelling expected behaviour - for example by promoting respectful conduct in meetings and in public communications, reinforcing the importance of the Code and related guidance (including on social media), supporting take-up of training, addressing concerns early and constructively where they arise and reinforcing a culture of respectful member/officer relations.
44. National guidance on effective governance and scrutiny also emphasises that a strong organisational culture depends on commitment 'from the top'—from senior members as well as senior officers. In addition, the Committee on Standards in Public Life has highlighted the importance of engagement between senior officers and political group leaders/whips to discuss standards issues as part of maintaining an ethical culture. In this context, scrutiny of how leadership on conduct and standards is demonstrated can properly focus on how, in general terms, these leadership roles collectively reinforce the standards framework, promote expected behaviours and help prevent issues escalating into formal complaints.

### Protocol on Member/Officer Relations

45. The Member/Officer Protocol governs the working relationship and behaviour between members and officers. It forms part of the Council's Constitution (Part 5C) and breaches of the protocol may also engage the Code of Conduct, particularly where respect, impartiality or a member's misuse of their position is concerned.
46. The Protocol sets out how members and officers are expected to work together professionally and respectfully. Its purpose is to support effective decision making, political neutrality and public confidence in the Council. The key principles of the Protocol are as follows:
- **Mutual respect:** Members and officers must treat each other courteously and recognise their distinct roles.
  - **Political neutrality:** Officers serve the Council as a whole and must not be drawn into party-political activity or disputes.
  - **Appropriate communication:** Contact between members and officers should be open, timely and proportionate, with officers keeping relevant local members informed of issues affecting their area.
  - **No undue pressure:** Members should not seek to improperly influence officers, particularly in regulatory or quasi-judicial matters.
  - **Clear accountability:** Officers are accountable to senior managers; members should not direct officers outside agreed processes.
  - **Confidentiality and information handling:** Sensitive and confidential information must be handled lawfully and appropriately.

### National developments to strengthen the standards and conduct framework

47. The Ministry of Housing, Communities and Local Government undertook a consultation on strengthening standards to which the Council, through this Committee, contributed. Recently the Minister has announced the reforms that will be introduced following that consultation. The Minister's introduction states:

*'The reforms aim to ensure misconduct is dealt with swiftly and fairly across the country in every type and tier of local government – from the smallest town or parish council to the largest regional mayoral authority. We want to ensure that local government is empowered, fully accountable and deserving of people's trust and confidence.'*

*'We want local and regional government in England to attract and retain the best possible talent, and for county, town and city halls across the country to promote fair and reasonable democratic discourse, without slipping into cultures which are toxic and intimidating. There will always be room for strongly held beliefs to be represented, tested and debated, with decency and respectful behaviours and conduct.'*

48. The reforms, which are intended to be introduced by legislation as soon as parliamentary time allows, include the following:

- a) the introduction of a mandatory code of conduct, which will include a behavioural code, for all local authority types and tiers.
  - b) a requirement that all principal authorities convene formal Standards Committees, to include provisions on the constitution of Standards Committees to ensure objectivity, accountability and transparency.
  - c) the requirement that all principal authorities offer individual support during any investigation into code of conduct allegations to both the complainant and the councillor subject to the allegation.
  - d) the introduction at the authority level of a 'right for review' for both complainant and the subject elected member to have the case reassessed on grounds that will be set out in legislation.
  - e) powers for authorities to suspend elected members for a maximum of 6 months for serious code of conduct breaches, with the option to withhold allowances during suspension for the most serious breaches and introduce premises and facilities bans either in addition or as standalone sanctions.
  - f) in response to the most serious allegations involving police investigation, or where sentencing is pending, the introduction of powers to suspend elected members on an interim basis for an initial period of 3 months which, if extended, will require regular review.
  - g) a new disqualification criterion for any elected member, subject to the maximum period of suspension more than once within 5 years.
  - h) the creation of a new national appeals function, to consider appeals from elected members to decisions to suspend them and/or withhold allowances, and for complainants if they consider their complaint was mishandled. Any appeal submitted will only be permitted after the complainant or elected member has invoked their 'right for review' of the local Standards Committee decision that has been invoked and that process is completed.
49. Further updates will be presented to the Corporate Governance Committee as the Government progresses with the reforms referred to above.

### **Recommendation**

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

### **Equality Implications**

51. None

### **Human Rights Implications**

52. None

### **Background papers**

Part 5A of Leicestershire County Council's Constitution – Members' Code of Conduct  
<https://democracy.leics.gov.uk/documents/s189344/Part5A%20Members%20Code%20of%20Conduct.pdf>

Guidance on Local Government Association Model Councillor Code of Conduct  
<https://www.local.gov.uk/publications/guidance-local-government-association-model-councillor-code-conduct>

Part 5C of Leicestershire County Council's Constitution - Protocol on Member / Officer Relations  
<https://democracy.leics.gov.uk/documents/s189347/Part%205C%20Protocol%20on%20MemberOfficer%20Relations.pdf>

Report to the Corporate Governance Committee on 10 May 2019 – Ethical Standards in Local Government  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=5854&Ver=4>

Report to the County Council on 1 December 2021 – Code of Conduct and Protocol on Member/Officer Relations  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6480&Ver=4>

Report to the Corporate Governance Committee on 24 September 2012 – Arrangement for dealing with Member Conduct Complaints  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=3554&Ver=4>

Report to the County Council on 25 September 2024 – Appointment of Independent Persons  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7389&Ver=4>

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

None.

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## **SCRUTINY COMMISSION – 11<sup>TH</sup> MARCH 2026**

### **DRAFT INVESTING IN LEICESTERSHIRE PROGRAMME PORTFOLIO RURAL ESTATE STRATEGY 2026 TO 2036**

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

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

1. The purpose of this report is to seek the Commission's views on the draft Investing in Leicestershire Programme Rural Estate Strategy 2026 to 2036 (attached as an Appendix to this report) which sets out the proposed approach to future management of the Programme's portfolio of farms and rural properties.

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

2. The Corporate Asset Management Plan 2022 – 26, approved by the Cabinet in September 2022, is aligned with the Council's Strategic Plan and promotes the management of the Council's property assets, including the rural estate, in a way that contributes to the achievement of the five strategic outcomes.
3. The Investing in Leicestershire Programme (liLP) Strategy 2025-29, which was approved by the Council in February 2025 as part of the Medium-Term Financial Strategy (MTFS) 2025-29, made a commitment to reviewing the management strategy of the Rural Estate in 2025/26.
4. The Cabinet at its meeting on 18 March 2025 considered a report setting out the management of the County Council's rural estate and its benefits for residents of Leicestershire and agreed a response to Hinckley and Bosworth Borough Council regarding a Notice of Motion agreed by that Borough Council on the subject of County Farms.
5. The Cabinet at its meeting on 16<sup>th</sup> December 2025 approved an emerging draft of the Rural Estate Strategy for consultation.

##### **Background**

6. The Council has owned and managed its rural estate for many years. It now forms part of the liLP direct property portfolio, contributing to the social, economic, and financial objectives of the Council, indirectly supporting service delivery, as well as promoting and supporting farming in Leicestershire.
7. The estate is held under the Agriculture Act 1970 and the approach to date has

focused on the delivery of outcomes that addresses areas of economic and social market failure, such as the lack of opportunities for people to start farming on their own account.

8. The farms and other land holdings have been let in accordance with the legislation in place at the date of letting. Over time, the proportion of Agricultural Holdings Act lettings with Lifetime and Retirement tenancies attached has reduced and this trend will continue until all lettings on the Estate are Farm Business Tenancies on fully repairing and insuring terms.

### **Estate Overview**

9. The Council owns the freehold of the entire estate which extends to 7,359 acres and has a current asset value of £95.9m which represents 41%, by value, of the direct property assets within the liLP portfolio.
10. The estate comprises 6,996 acres of farmland made up of 65 main farms, including one bare land holding (i.e. without buildings), together with 45 partially equipped, secondary bare land holdings and areas of allotments, together with 275 acres of woodland or land of high ecological value.
11. The estate has a record of delivering financial returns above those achieved in the wider agricultural investment market. The overall returns for the estate over the past 1, 3 and 5 years have averaged 8.2%, 7.9% and 12.3% respectively which, based on market information published by leading national land agency practices, is well above the 1.8%, 5.3% and 3.7% achieved by the market.
12. The level of performance is reflected in the fact that the estate has produced £25.9m in capital receipts, with rental income growing by 28.6% to £1.07m per annum over the past 10 years. In recognition of the ongoing contribution the estate makes to the capital programme and to maintain its optimal size, investments to the value of £3.335m have been made on land purchases, principally at Walton Holt Farm, Lutterworth.

### **The Draft Rural Estate Strategy 2026 – 2036**

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

#### **Vision**

14. The stated vision in the draft Strategy is “To create a Rural Estate that provides opportunities for people to establish thriving rural businesses, supports the rural economy and local communities and makes an increasing contribution to the attainment of the Council’s strategic objectives whilst delivering ongoing financial benefits”.
15. It is acknowledged that there will be both opportunities and challenges in realising this vision, as summarised below.

## Opportunities

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

## Challenges

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

## Ambitions

16. The Council will seek:

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

- To realise the estate's potential to deliver financial benefits that help support the provision of services for the people of Leicestershire.
  - To increase the contribution the estate makes to the achievement of the objectives and outcomes of the Council's Strategic Plan thereby improving the economic, social and environmental wellbeing of Leicestershire.
  - To strengthen existing partnerships and create new relationships with stakeholders to secure the delivery of strategic objectives and outcomes.
17. Through the adoption of these strategic ambitions and the associated objectives and action points, it is considered that the estate can contribute towards the delivery of multiple economic, environmental and social benefits.

### **Development of the Strategy**

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

### **Proposals**

19. It is proposed that the Rural Estate should be retained and maintained at its current level of investment providing a range of nursery/starter and progression holdings enabling people to enter the farming industry and build a sustainable rural business.
20. It is considered that the Estate should be restructured to maximise its potential to achieve strategic ambitions. An evidence-based Management Plan will be prepared, and used to identify:
- Those holdings which deliver a market return and can support a sustainable farm enterprise in the future should be retained.
  - Those holdings which, subject to the availability of additional investment or land, have the potential to deliver a market return and could support a sustainable farm enterprise in the future, should be retained.
  - Those holdings and areas of land which possess latent development or Biodiversity Net Gain potential should be retained with a view to realising the potential to support the capital programme and managed in a manner that maximises their income earning potential in the intervening period.
  - Areas of land within the estate capable of supporting the Council's strategic objectives or future service delivery should be identified and retained and managed in a manner that maximises that potential. Projects that provide economic or social benefits to local communities should, subject to a positive business case be progressed and brought forward for implementation.
  - Subject to no overriding estate management reason to the contrary, uneconomic and unviable holdings should be sold, retaining any land that can improve the viability of an adjoining farm and amalgamating it with that holding.

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

### **Consultation**

25. The consultation, comprising a combination of questionnaires, online and in person meetings, took place from 6th January 2026 to 13th February 2026 with the following groups of stakeholders:
  - Farm tenants and members of the public attended a hybrid in-person and online meeting on 29<sup>th</sup> January 2026.
  - Farming industry stakeholders - Meetings were held with the National Farmers' Union, the National Forest Company, representatives of Brooksby College and Nottingham University School of Veterinary, and Members of Midland Counties Agricultural Valuers' Association over the period of the consultation.
26. In addition, the general public were consulted via the "Have Your Say" page on the County Council's website.
27. Stakeholder packs were prepared and included a summary of the draft Strategy and a questionnaire which focused on the following questions:

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

### **Consultation Findings**

28. The principal observations made by the consultation groups are summarised in paragraphs below.
29. Overall, subject to there being a clear implementation plan, there was agreement that the Vision and Ambitions set out in the draft Strategy were capable of delivering its primary objectives.
30. There is overwhelming support across all groups for the retention of the Rural Estate and whilst the majority of consultees supported maintaining the estate at its current acreage a significant proportion would support increasing the size of the portfolio.
31. There was a recognition that the restructuring of the estate, including the bringing forward of development sites would involve the sale of land and other assets held within the portfolio. This was accepted by the consultees, subject to sufficient funding being made available from the resulting capital receipts to facilitate the delivery of improved on-farm infrastructure vital to maintaining the viability of farms.
32. In addition, it was recognised that within the restructuring process, farmsteads that were no longer seen as being able to support a sustainable farming business could be repurposed for commercial uses that supported the rural economy; the land being added to adjoining farms to support the viability of those units.
33. Significant weight was placed on the need to ensure that the estate remained viable from both the landlord's and tenant's perspective, enabling the Council to achieve an adequate financial return on its capital invested whilst allowing tenants the opportunity to establish and maintain viable businesses. It was also acknowledged that investments in the estate need to be carefully considered, as they may result in an associated rental increase.

34. There was broad agreement that in order to best support new entrants and existing tenants the proposed restructuring of the estate needed to provide a range of starter and progression holdings, enabling tenants to establish and grow a sustainable and resilient business.
35. It was recognised that the estate would continue to make a significant contribution to the wider objectives of the Council. This was seen as particularly important in relation to the environment where it was considered that the estate had an increasing role to play in respect of the Council's statutory Biodiversity Duty to conserve and enhance biodiversity, the Local Nature Recovery Strategy and the outcomes within the Climate Resilience Delivery Plan.
36. Strengthening stakeholder partnerships was seen as key not only to delivering many of the wider strategic objectives but facilitating direct support to tenants through collectively leveraging in external expertise and funding opportunities to the benefit of all parties.
37. Better communications at both an individual and estate- wide level was seen as a key to both landlord and tenants increasing their understanding of the issues facing the estate, changing economic conditions, and the implications for individual farming businesses.
38. It was suggested that support should be provided to those tenants wishing to diversify their businesses by assisting in providing the advice necessary to obtain planning and other consents required in the establishment of a second enterprise.
39. It was also noted that prospective new tenants found difficulty in obtaining details of potential future lettings and accessing the application process. It was therefore agreed that efforts would be made to make this information more readily accessible.
40. It was recognised that for the new Strategy to be effective and deliver on its vision and ambitions there needed to be a clear management plan detailing how the estate would developed over the period to 2036; development of the plan (incorporating future investment proposals) and the blueprint for the restructuring of the estate being seen as key priorities required to address the perceived failings of the current Strategy.

### **Consultation Outcomes**

41. Based on the feedback received, in particular those received at the events attended by farm tenants and internal stakeholders, the proposals relating to the following objectives have been strengthened:
  - Improving communications with tenants by initiating regular meetings to ensure a greater understanding of the issues faced by both parties.
  - Improving awareness of letting opportunities for prospective new entrants.

- Working more closely with colleges and universities within the region to provide educational support for tenants and training opportunities for students.
- Working more closely with the internal stakeholders to establish a co-ordinated approach to engaging with external stakeholders to create increased funding opportunities and technical support for both the Council and tenants

### **Resource Implications**

42. As at the end of 2024/25, the Council's rural estate was valued at £95.9m.
43. Rental income growth has increased from £835,876 to £1,074,597 over the last 10 years. Growth has been achieved through rent reviews, structural improvements and new farm lettings.
44. With an estate this size there are considerable maintenance and repair requirements with a Planned Preventative Maintenance (PPM) programme over 15 years estimated to cost in the region of £20.7m. Spend of £432,000 has been identified as being urgent within the next 12 months. Compliance costs at a similar level will also be required. Meanwhile, capital investment has been modest with £250,000 allocated for 2024/25 and £450,000 for 2025/26.
45. £25.9m of capital receipts has been generated over the past 10 years from the sale of development land and surplus farmsteads, plus uplifts in value from development potential.
46. The estate will need to continue generating receipts to fund improvements and maintain market level rents.
47. The draft Strategy sets out proposals for managing the rural estate, including supplementing staff resources with specialist legal and consultancy advice. With increasing regulation and changes in Government farming support, maintaining the right balance between in-house and external expertise will be critical.

### **Conclusion**

48. The Investing in Leicestershire Programme Rural Estate Strategy is aimed at maintaining the current level of investment in farms and rural properties in order to continue to provide opportunities for people to start and develop sustainable farming businesses whilst delivering financial and wider environmental and community benefits thereby addressing areas of social and economic market failure.

### **Equality Implications**

49. Whilst no equality implications directly arising from this report have been identified, the necessary impact assessments together with a Health Impact

Assessments have been drafted and will be finalised in advance of the Strategy being brought forward for adoption.

### **Human Rights Implications**

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

### **Environmental Implications**

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

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

None.

### **Background Papers**

Report to the Cabinet on 23 September 2022 'Corporate Asset Management Plan 2022 – 2026'

<https://democracy.leics.gov.uk/documents/g6776/Public%20reports%20pack%20Friday%2023-Sep-2022%2011.00%20Cabinet.pdf?T=10>

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

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

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

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7874&Ver=4>

Report to cabinet on 16 December 2025 'Investing in Leicestershire Programme Rural Estate Strategy 2025-2035'

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7882&Ver=4>

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**Appendix**

Draft Investing in Leicestershire Programme Rural Estate Strategy 2026 - 2036

# Investing in Leicestershire Programme

Rural Estate Strategy  
2026 – 2036

DRAFT



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# 1 The Vision and Ambitions for Leicestershire's Rural Estate

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

## Vision

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

## Ambitions



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



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



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



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



## 1.1 Purpose of the Strategy

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

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

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

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

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

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



## 2 Estate Overview

### 2.1 History

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

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

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

In 2008 the Sustainable Farming and Food Delivery Group produced a guidance report titled '*The Importance of the County Farms Service to The Rural Economy*'. The report was produced in collaboration with the Tenant Farmers Association, the Country Land and Business Association, the Royal Institution of Chartered Surveyors and the National Farmers' Union. More recent reports from the CPRE, the Countryside Charity and its partners – (2019)<sup>1</sup> and (2022)<sup>2</sup> concluded that farms owned and managed by Local Authorities are an important, strategic national asset and assist authorities in meeting wider regional economic, countryside and environmental objectives. The reports also recognised that County Farms provide an essential route into farming for new entrants.

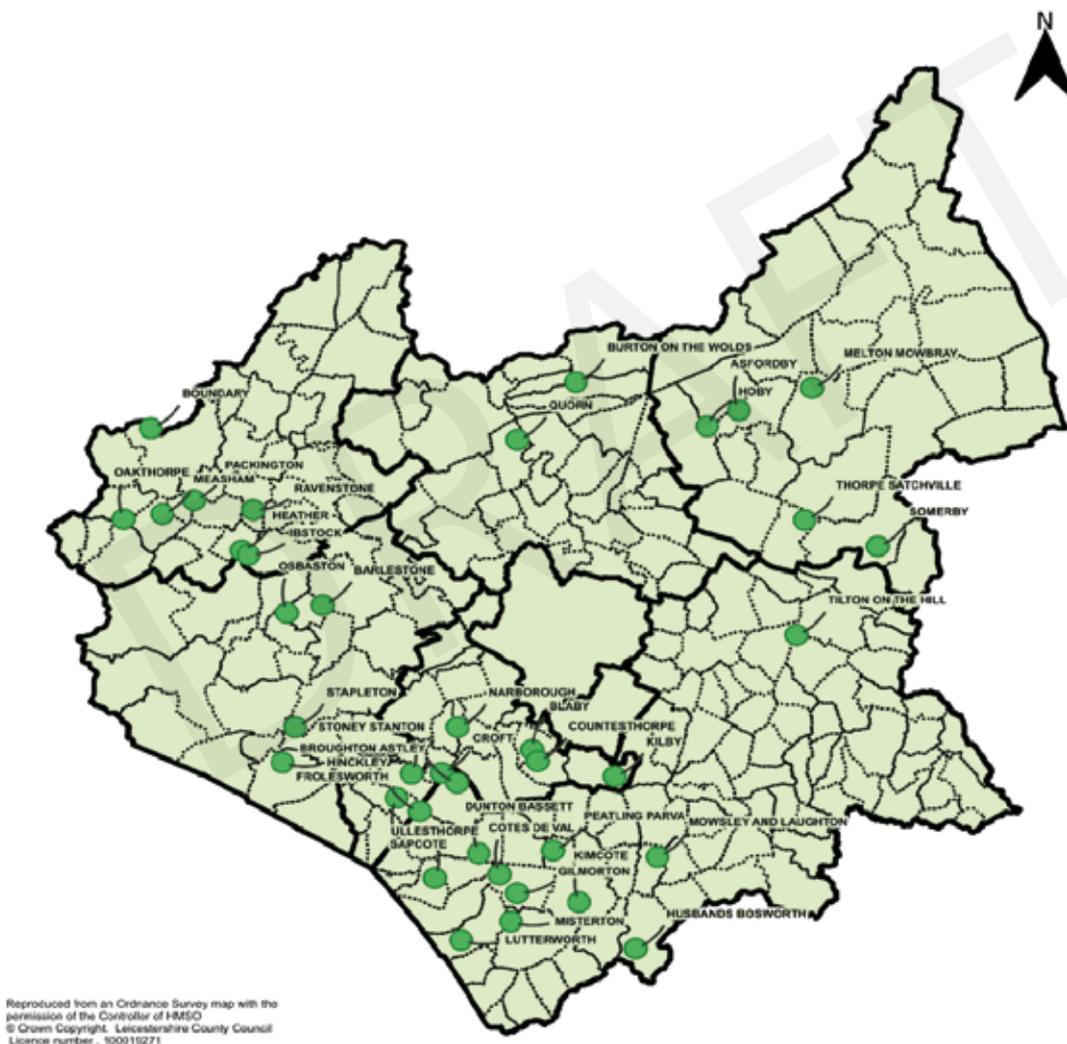
These reports coupled with the wider strategic objectives of the Council have formed the basis of the Council's policy over the last 12 years.

1 [https://aces.org.uk/wp-content/uploads/2020/06/CPRE-Report\\_Reviving-county-farms\\_Dec2019.pdf](https://aces.org.uk/wp-content/uploads/2020/06/CPRE-Report_Reviving-county-farms_Dec2019.pdf)

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

## 2.2 Structure of the Estate

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



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

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

	2015		2025	
	Number of Holdings	Area (acres)	Number of Holdings	Area (acres)
Starter dairy farm	25	1,888	9	776
Promotion Dairy farm	16	2,034	14	1,754
Mixed Dairy farm	2	213	0	0
Non-dairy livestock farm	21	1,688	33	2,922
Small "retirement" holdings	8	73	8	193
Bare Land	8	587	1	25
Sub-Total	80	6,483	65	5,670
Land let on short term tenancies of up to 5 years		614		1,326
Cottages and Business Lettings		68		88
Woodland and ecological sites		238		275
<b>Total</b>		<b>7,403</b>		<b>7,359</b>
<b>Note:</b> the definitions of the farms detailed in the table reflect the fixed equipment available to the tenant however, although there are 23 farms designated as dairy farms, a number are currently used to support non-dairy enterprises.				

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

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

In addition to recognising the existing use and farming potential of the holdings within the overall estate some farms have been identified as having potential to deliver enhanced value through the promotion of development opportunities in respect of parts of the land or buildings. 37 areas of land have been identified with future development potential and 15 areas capable of delivering significant biodiversity net gains or supporting woodland expansion. These areas of land will form a pipeline of development sites to be promoted over the next 20 years. The realisation of this potential will form an integral part of estate strategy in future years providing a stream of capital receipts vital to the delivery of the capital programme. Critically this will allow for reinvestment in maintaining the optimal size of the estate by the purchase of additional farms thereby providing further letting and relocation opportunities, and the potential to create larger promotion units to support the business development for farm tenants.

### 2.2.1 Occupation

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

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

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

### 2.2.2 Heritage, Conservation and the Environment

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

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

## 2.3 Benefits of the Estate

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

### 2.3.1 Non-Financial Performance

The following has been achieved in recent years:

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

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

### 2.3.2 Financial Performance

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

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

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

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

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

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

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

## 2.4 Management of the Estate

### 2.4.1 Maintenance, Repair and Insurance

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

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

Over the past 3 years an average of £361,700 has been spent annually on maintenance and repair across the estate. Based on 2015 figures, the overall Planned Preventative Maintenance (PPM) Programme for the estate over a 15-year period amounts to £20.7m. £432,000 has been identified as urgent and requiring attention within 12 months. Savings on some of the PPM have or will be achieved by the disposal of uneconomic holdings. The need remains to maintain an appropriately funded programme to meet the estate’s ongoing maintenance requirements, and the detail will be clarified as detailed condition surveys take place.

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

### 2.4.2 Management

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

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

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

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



## 3 Future Vision

### 3.1 Strategic Ambitions and Objectives

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

#### **Ambition -**

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



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

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

By restructuring the estate and where appropriate, amalgamating two or more holdings and focusing investment on the best located or equipped of the existing units, a core estate would be maintained at approximately its current size of 7,359 acres but comprise a reduced number of farm units; the remaining farmsteads being sold off or repurposed for an alternative use, ensuring that the final structure of the estate provided a range of starter and progression farms suitable for new entrants to establish and grow a sustainable farming business.

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

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

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

Objectives	1 – 5 years	6 – 10 years	Ongoing
To complete a comprehensive review of the Estate and prepare and implement, over the lifetime of the strategy, an estate wide restructuring plan.	✓		
As part of the review select a suitable holding and establish a pilot starter unit.	✓		
To invest in farm improvements in order that each core holding has sufficient buildings and fixed equipment to support a viable rural business.	✓	✓	✓
To produce and implement a 5-year programme to manage the maintenance requirements and level of outstanding improvements related to statutory compliance.	✓		
To invest in additional rural assets that have the ability to make a positive contribution to the delivery of the estate's strategic ambitions thereby maintaining the estate at or around its current acreage.	✓	✓	✓
To establish an accurate estate wide capital and revenue budget spend forecast.	✓		

**Ambition -**

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



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

- Support growth in the county and its economic area of influence and ensure: there is a more diverse range of properties and land assets available to meet the aims of economic development.
- to maximise returns from Council owned property assets
- to support the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs
- to enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery
- to maximise the potential to address economic and social market failure It is necessary to ensure that returns from the estate are demonstrably at least equal to that which is being achieved on the open market for equivalent assets (with the exclusion of any holdings subject to any temporary new entrant incentive scheme).

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

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



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

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

Reviewing the estate's assets, an appreciation of their development potential and the timescale for its realisation, are essential to ensure that the pipeline of potential developments is proactively promoted and brought forward for delivery or disposal. This continuing flow of capital receipts supports the Council's wider capital programme including the future investment in farm improvements and property.

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



**Ambition -**

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



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

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

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

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

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

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

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

The potential exists for enhancing the measurable impact of the estate towards the environmental goals of the Council, supporting the delivery of the Local Nature Recovery Strategy and the outcomes of the Climate Resilience Delivery plan, through the implementation of biodiversity improvements such as planting of trees to further support flood management work and contribute towards climate adaptation actions. These initiatives will assist in contributing towards the Council's statutory Biodiversity Duty to conserve and enhance the biodiversity.

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

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

Biodiversity net gain baseline assessments of 12 potential sites have been undertaken suggesting that in excess of 400 credits could be generated across the estate. Further business case testing will determine whether a realistic return can be achieved by progressing the schemes. Acknowledging strong market interest, work is ongoing to identify such opportunities and identify the most appropriate delivery model for such projects ensuring that in all cases target rates of return are achieved from any investment.

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



Objectives	1 – 5 years	6 – 10 years	Ongoing
Support tenants wishing to diversify their business by establishing a secondary enterprise or by adding value to farm produce thereby increasing access to locally sourced food..	✓	✓	✓
Identify opportunities to make a positive contribution by providing improved community facilities and work with partners to secure their delivery.	✓	✓	✓
Encourage tenants to work with local communities to increase educational opportunities.	✓	✓	✓
Provide opportunities for inclusive public access across the estate in order to maximise potential health benefits through increased physical activity.	✓	✓	✓
To deliver biodiversity improvements across the estate to support the delivery of Council developments and infrastructure or achieve financial benefits through the sale of credits.	✓	✓	✓
Contribute to the achievement of the Council's environmental targets for example by planting additional trees and areas of woodland, linking with flood management, climate adaptation and biodiversity objectives where appropriate, and assist in meeting it's statutory duty to conserve and enhance Biodiversity.	✓	✓	✓
Establish policies for consenting to and enabling tenants to implement the delivery of Environmental Schemes.	✓	✓	✓

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

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

Ensure that good communications and regular contact is maintained with tenants, through the establishment of appropriate communication channels including regular group meetings with tenants, delivering long term benefits to both parties through the exchange of information vital to the making of sound management decisions. In addition, through regular contact and understanding the challenges facing the farm business, provide support as appropriate to individual tenants to minimise the risk to mental health.

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

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

## 3.2 Opportunities and Challenges

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

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



### Opportunities

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



### Challenges

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

## 4 Strategic Context

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

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

### 4.1 Legislation and Government Regulation

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

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

The Agriculture Act 1970	Provides the powers to hold and manage the County Farms that make up the Rural Estate.
Agricultural Holdings Act 1986	Provide the framework for the grant, management and termination of agricultural tenancies.
Agricultural Tenancies Act 1995	
Climate Change Act 2008	Under the provisions of Section 2 the Climate Change Act 2008 (2050 Target Amendment) Order 2019 set the current national Net Zero target and requires the UK to bring all greenhouse gas emissions to net zero by 2050. It also introduced provisions relating to carbon budgeting and established carbon trading schemes for the purpose of limiting greenhouse gas emissions or encouraging activities that reduce such emissions or remove greenhouse gas from the atmosphere.

Health and Safety at Work etc Act 1974	<p>The Health and Safety at Work Act is a comprehensive piece of legislation which influence the activities of both landlord and tenant in the management of farms. Its key points broadly relate to the following six areas:</p> <ul style="list-style-type: none"> <li>• Provide a safe place of work.</li> <li>• Provide safe equipment.</li> <li>• Ensure staff are properly trained.</li> <li>• Carry out risk assessments.</li> <li>• Provide proper facilities.</li> <li>• Appoint a competent person to oversee health and safety.</li> </ul>
Agriculture Act 2020	<p>The Agriculture Act 2020 represents the first major reform of agricultural policy since the Agriculture Act 1947 which introduced guaranteed prices and assured markets.</p> <p>The 2020 Act provided for the phasing out of direct payment subsidies under the Basic Payment Scheme whereby farmers received an annual area-based payment over a seven year transition period commencing from 2021; the loss of which will have a detrimental impact on the profitability of many rural businesses. However, it provides for a system of more environmentally focused support through the Environmental Land Management Scheme comprising the Sustainable Farming Incentive and the Farming Investment Fund detail of which are set out at <a href="https://www.gov.uk/guidance/funding-for-farmers">https://www.gov.uk/guidance/funding-for-farmers</a>. Further, the Act sets out provisions to improve transparency and fairness in the agri-food supply chain, makes changes to agricultural tenancies and places a duty on the Secretary of State to report to Parliament on food security every three years. It should be noted that the gradual reduction in area payments outlined in the original transition period was significantly changed in 2024 with payments being “de-linked” from land and the level of payments reduced by 76% to a cap of £7,200 per farm in order to realign the overall transitional budget towards environmental schemes.</p>

Environment Act 2021	<p>The Environment Act 2021 is the key piece of environmental legislation. The Act comprises two thematic halves.</p> <p>The first provides a legal framework for environmental governance whereby the Government must prepare a 15 year environmental improvement plan with the impartial Office of Environmental Protection to monitor progress towards achieving targets and ensure accountability. Further, the Secretary of State must set environmental targets in relation to air quality, water, biodiversity, resource efficiency and waste reduction and species abundance.</p> <p>The second makes provision for specific improvement of the environment, including measures on waste and resource efficiency, air quality and environmental recall, water, nature and biodiversity, and conservation covenants.</p> <p>In relation to biodiversity the Act strengthens the duty on public bodies to protect and enhance biodiversity, introduces the mandatory requirement for development to deliver 10% biodiversity net gain and the preparation and publication of Local Nature Recovery Strategies as well as introducing the concept of Conservation Covenants.</p>
Agriculture (Model Clauses for Fixed Equipment) (England) Regulations 2015	Sets down the liabilities of the parties in respect of repairs and maintenance of the fixed equipment and land that make up the holding. This is the statutory default in respect of all tenancies which do not include an express provision for full repairing obligations.
Agricultural Landlord-Tenant Code of Practice for England 2024	Provides guidance on achieving best practice in the management of the landlord/tenant relationship and supports the preparation of a joint management plan to support decision making over the period of the tenancy.

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

## 4.2 Council Strategies and Initiatives

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

Strategic Plan 2022-26 (Due to be updated)	The Strategic Plan is the main driver to the achievement of the Council's key aims and objectives.
Medium Term Financial Strategy 2026-30	Sets out the budget for the Council over the next four years and determines the level of resources available to support each service including the further development of ILLP direct property portfolio including the rural estate.
Corporate Asset Management Plan 2022-26	Aligned with the Strategic Plan the CAMP provides the framework for the management of the Council's property assets, including those within the ILLP portfolio - regularly reviewing the future management strategy of each in addition to setting and monitoring performance targets.
Investing in Leicestershire Programme Strategy 2026-30	In addition to contributing to the achievement of the Council's strategic outcomes the strategy supports the channelling of new investment into schemes that: <ul style="list-style-type: none"> <li>• Maximise the potential to address economic and social market failure</li> <li>• Improve property assets for a direct strategic/policy purpose</li> <li>• Enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery.</li> </ul>
Environment Strategy 2018-30	Sets out the Council's vision, aims, objectives and targets for how it will meet its legal and statutory obligations and responsibilities in relation to the environment, how it will minimise its impact on the environment and the impact of the environment on the council, as well as how it will fulfil its leadership role to minimise the environmental impacts, improve the health and wellbeing of people and contribute to the sustainable economic development of the county.

Tree Management Strategy 2026-30	Provides a framework to establish a healthy, balanced and sustainable tree population, resilient to climate change, reduce risk from hazardous trees, set standards of tree management and raise public awareness of the value of trees in the environment. Allied to the strategy and the wider Environment Strategy is the commitment to plant 1,000,000 trees to the end of the strategy period.
Leicestershire, Leicester and Rutland Local Nature Recovery Strategy	<p>The Local Nature Recovery Strategy has been developed with the aim of protecting nature and allowing it to recover by preserving and improving habitats and biodiversity. The strategy sets out practical actions to boost the area's wildlife and natural spaces.</p> <p>The main points of the strategy include examining how habitat loss, shrinking species populations and the effects of climate change can be tackled, the priority habitats and species that need urgent attention, the action needed to build a healthier, more connected natural environment and the creation of space for nature to flourish whilst supporting local people and their livelihoods.</p>

### 4.3 Planning

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

#### 4.3.1 National Planning Policy

At a national level the Town and Country Planning Act 1990 and the National Planning Policy Framework 2025 (and associated Planning Practice Guidance Notes) are the two most influential areas of regulation and guidance.

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

The National Planning Policy Framework 2025 provides the planning guidance necessary for local planning authorities to make sound local plans and informed planning decisions.

### 4.3.2 District and Borough Local Plans

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

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

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

- **Development Strategy** including the assessment of overall housing and employment land needs and the proposed allocation of sites necessary to meet that requirement.
- **Spatial Strategy** which determines the settlement hierarchy to inform the distribution of future housing and employment needs across the local authority area. Where strategic development areas are proposed individual site-specific policies may also be included.
- **Housing outlining policies** relating to housing mix, design, self-build housing, affordable housing including rural exception sites, and housing that meet the needs of older people, people with disabilities and gypsies, travellers and travelling show people.
- **Employment with policies** relating to current economic need, protection of existing employment areas, tourism and importantly rural economic development.
- **Town Centres and Retail.**
- **Climate Change** including flood risk management, sustainable drainage, renewable and low carbon energy installations, sustainable transport and EV charging points.
- **Environment** with policies relating to landscape including areas of significance such as Charnwood Forest, green wedges and areas of separation, biodiversity and geodiversity, tree planting, heritage, sports and recreation, public access and air quality.
- **Transport** considering both the strategic and local networks.
- **Infrastructure and Community Facilities** relating to education, health and other public services together with the Section 106 Contributions Policy to support delivery.

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

#### **4.3.3 Leicestershire Minerals and Waste Local Plan**

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

#### **4.3.4 Neighbourhood Plans**

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

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



## 5 Stakeholder Engagement

A key stage in the development of the strategy was to engage with a wide range of stakeholders in order that their views could help shape the final report.

The consultation comprised a combination of questionnaires and online and in-person meetings which took place over the period from 6th January 2026 to 13th February 2026 with the following groups of stakeholders:

- The County Council's Farm Tenants
- Farming industry stakeholders
- County Council internal service departments
- In addition, the general public were consulted via the "Have Your Say" page on the County Council's website.

Stakeholder packs were prepared and included a summary of the draft Strategy and a questionnaire which focused on the questions outlined in the Cabinet Report of 16th December 2025, namely:

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

### Consultation Findings

The principal observations made by the consultation groups are summarised below:-

- Overall, subject to there being a clear implementation plan, there was agreement that the Vision and Ambitions set out in the strategy were capable of securing the change needed to ensure that the strategy would deliver its primary objectives.
- There is overwhelming support across all groups for the retention of the Rural Estate and whilst the majority of consultees supported maintaining the estate at its current acreage a significant proportion would support increasing the size of the portfolio.

- There was a recognition that the restructuring of the estate, including the bringing forward of development sites would involve the sale of land and other assets held within the portfolio. However, this was accepted subject to sufficient funding being made available from the resulting capital receipts to both facilitate the purchase of an equivalent or improved replacement asset and the delivery of improved on-farm infrastructure vital to maintaining the viability of farms.
- In addition, it was recognised that within the restructuring process farmsteads that were no longer seen as being able to support a sustainable farming business could be repurposed for commercial uses that supported the rural economy; the land being added to adjoining farms to support the viability of those units.
- Significant weight was placed on the need to ensure that the estate remained viable from both the landlord's and tenant's perspective enabling the Council to achieve an adequate financial return on its capital invested whilst allowing tenants the opportunity to establish and maintain viable businesses. This would allow the wider environmental and community benefits to be delivered.
- There was broad agreement that in order to best support new entrants and existing tenants the proposed restructuring of the estate needed to provide a range of starter and progression holdings enabling tenants to establish and grow a sustainable and resilient business.
- It was recognised that the estate would continue to make a significant contribution to the wider objectives of the Council. This was seen as particularly important in relation to the environment where it was considered that the estate had an increasing role to play in respect of the Council's statutory Biodiversity Duty to conserve and enhance biodiversity, the Local Nature Recovery Strategy and the outcomes within the Climate Resilience Delivery Plan.
- Strengthening stakeholder partnerships was seen as key not only to delivering many of the wider strategic objectives but facilitating direct support to tenants through collectively leveraging in external expertise and funding opportunities to the benefit of all parties.
- Better communications at both an individual and estate wide level was seen as a key to both landlord and tenants increasing their understanding of the issues facing the estate, changing economic conditions and the implications for individual farming businesses.
- Supporting those tenants wishing to diversify their businesses by assisting in providing the advice necessary to obtain planning and other consents required in the establishment of a second enterprise.
- It was also noted that prospective new tenants found difficulty in obtaining details of potential future lettings and accessing the application process. It was therefore agreed that efforts would be made to make this information more readily accessible.
- It was recognised that for the strategy to be effective and deliver on its vision and ambitions there needed to be clear management plan detailing how the estate would developed over the period to 2036; development of the plan (incorporating future investment proposals) and the blueprint for the restructuring of the estate being seen as key priorities required to address the perceived failings of current strategy.

## 6 Delivery and Implementation

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

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

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

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

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

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

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

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

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



## Glossary

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

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

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## **SCRUTINY COMMISSION – 11 MARCH 2026**

### **2025/26 MEDIUM TERM FINANCIAL STRATEGY MONITORING (PERIOD 10)**

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

### **Purpose of the Report**

1. The purpose of this report is to provide members with an update on the 2025/26 revenue budget and capital programme monitoring position as at the end of Period 10 (the end of January 2026).

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

2. The 2025/26 revenue budget and the 2025/26 to 2028/29 capital programme were approved by the County Council at its budget meeting on 19 February 2025 as part of the Medium Term Financial Strategy (MTFS).
3. The four-year capital programme was reviewed over the summer and an updated programme was approved by the Cabinet on 12 September 2025.

### **Background**

4. The Period 10 revenue budget monitoring exercise shows a net projected underspend of £0.7m.
5. The Period 10 capital programme monitoring exercise shows net projected slippage of £28.5m.
6. The monitoring information contained within this report is based on the pattern of expenditure to the end of January 2026 and projected to 31 March.

## 2025/26 REVENUE BUDGET MONITORING – PERIOD 10

7. The Period 10 revenue budget monitoring exercise shows a net projected underspend of £0.7m, compared to the position previously report to Scrutiny of a net overspend of £2.9m as at period 6. A summary of the position on the revenue budget is shown below and set out in more detail in Appendix A.

### REVENUE BUDGET MONITORING STATEMENT FOR THE PERIOD : APRIL 2025 TO JANUARY 2026

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
Schools Budget – Schools and Early Years	0	-5,910	-5,910	
Schools Budget – High Needs	0	43,110	43,110	
<b>Net Total</b>	<b>0</b>	<b>37,200</b>	<b>37,200</b>	
Children & Family Services (Other)	145,335	150,935	5,600	3.9
Adults & Communities	252,610	250,860	-1,750	-0.7
Public Health	-2,746	-2,746	0	0.0
Environment & Transport	123,154	117,844	-5,310	-4.3
Chief Executives	17,429	16,959	-470	-2.7
Corporate Resources	41,341	40,401	-940	-2.3
Capital Financing	14,633	13,033	-1,600	-10.9
Contingency for Inflation	7,655	105	-7,550	-98.6
Other Areas	-3,022	-8,192	-5,170	n/a
Contributions to earmarked reserves	22,600	34,200	11,600	51.3
Contribution to General Fund	1,000	1,000	0	0.0
Contribution from budget equalisation reserve to balance 2025/26 revenue budget	-4,653	0	-4,653	-100.0
<b>Total</b>	<b>615,335</b>	<b>614,398</b>	<b>-937</b>	<b>-0.2</b>
<b>Funding</b>	<b>-615,335</b>	<b>-615,055</b>	<b>280</b>	<b>0.0</b>
<b>Net Total</b>	<b>0</b>	<b>-657</b>	<b>-657</b>	

8. The key projected variances that have been identified are set out below. Further details of major variances are provided in Appendix B.

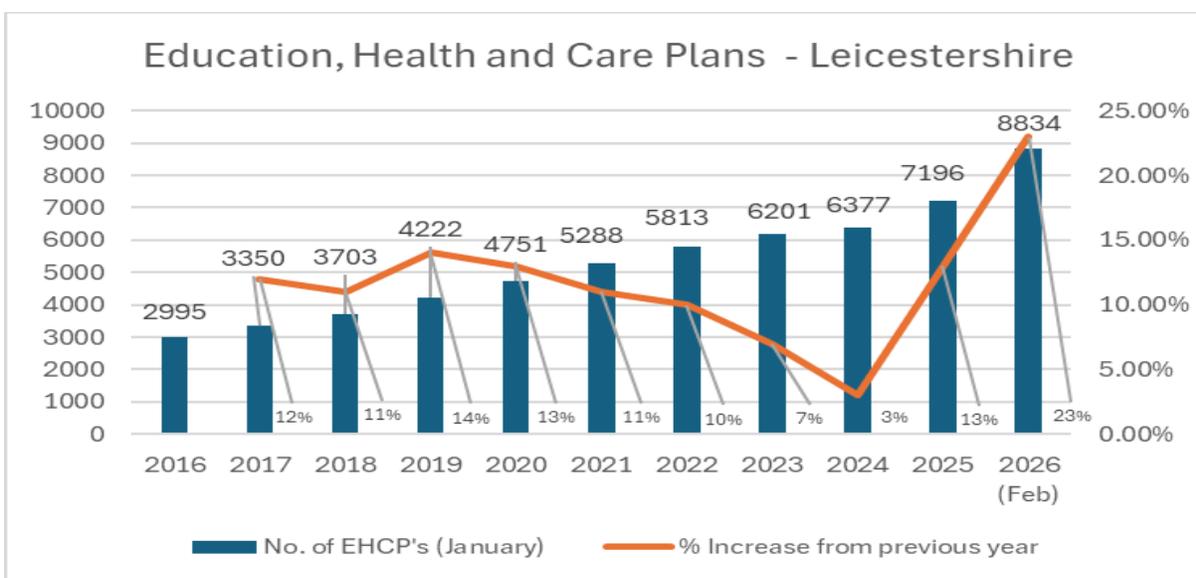
### Children and Family Services – Schools Budget

9. Overall there is a net projected overspend of £37.2m on the Dedicated Schools Grant (DSG). This comprises an overspend of £43.1m on the High Needs Block (HNB), offset by a projected underspend of £5.9m on the Early Years Block.
10. Due to sustained year-on-year growth in demand for funded Education, Health and Care Plans (EHCPs) since they were introduced in 2014, a £15m overspend on the HNB budget was anticipated after mitigations for the 2025/26 financial year based on a 7%

increase in EHCPs from the previous year. The current HNB projected overspend is circa £28m more than the budgeted £15m nominal drawdown as the planned in-year overspend. This is largely due to increased volume/demand on the placement budget compared with the budgeted assumptions based on Autumn 2024 data and intelligence.

11. Since that position, overall demand through the front door has continued to rise, which is further illustrated in the chart below, which shows active EHCPs over time by calendar year. Currently there are 8,834 EHCPs at the end of February 2026, a 23% increase since the previous year, and 195% increase in EHCPs since 2016. It is anticipated that demand for funded packages will reach 9,000 EHCP's by March 26 (c.20% increase to the budgeted position). Recent increases in demand are being seen nationally and are likely a result of uncertainty on government SEND reform.

#### Number of children and young people with EHCPs in Leicestershire



12. Whilst there are still several variables and uncertainties which may result in changes in either demand and costs, this is all under constant review and challenge with the appropriate governance and oversight in place. At the end of 2024/25 the accumulated High Needs deficit stood at £64m and is now projected to rise to £108m at the end of 2025/26. If future demand remained on a similar trajectory to 2025/26, the cumulative DSG deficit could increase to upwards of £400m by March 2030. As part of the Final Local Government Finance Settlement in February, the government confirmed that they would fund 90% of DSG deficits as at 31<sup>st</sup> March 2026 (based on the net position). This is due to be paid in the autumn, subject to a SEND Reform Plan being submitted and approved by DfE. Further detail is given at paragraph 19 below.
13. The Transforming SEND and Inclusion in Leicestershire (TSIL) change programme was established in August 2022 with partners across the SEND system supported by a third-party partner, Newton Impact. While the programme has now formally concluded, it has played a crucial role in helping the County Council manage the financial pressures of supporting children and young people with SEND and has been a key enabler in

delivering a forecasted MTFs saving/cost avoidance of £34m by March 2029. Without such impact, the financial pressure would be significantly larger than currently forecast this financial year.

14. The rising demand for EHCPs places increasing pressure not only on direct provision but also on the broader service infrastructure that supports children and young people with additional needs. Services such as Educational Psychology Services (EPS), Special Educational Needs Assessment (SENA), and Specialist Teaching Services are experiencing heightened caseloads and resource strain. This surge in demand has a consequential financial impact that spans both the DSG funded blocks—particularly the HNB—and local authority funded services, creating sustainability challenges across the system.
15. The DSG funding allocated for high needs is not keeping pace with the rising demand for services, placing additional financial strain on such budgets, and combined with increased demand on the service is resulting in a projected overspend position of £0.5m across the HNB-funded Specialist Teaching services.
16. Despite current planned mitigations, at the levels of expected and/or projected growth, the financial position is unsustainable. As such it is essential that the planned measures to contain ongoing growth are successful, and further mitigations and actions are actively considered to reduce the projected financial burden on the DSG HNB. In developing additional mitigations, consideration is being given to aligning actions to anticipated changes beginning to come through linked to the Schools White Paper.
17. The Early Years block is currently projecting a net underspend of £5.9m across all age group entitlements. For 2025/26 funding for universal and additional 3 and 4 year-olds and 2 year-olds of families receiving additional support will continue to be calculated using the existing methodology based on the January census data taking 5/12ths of the January 2025 census and 7/12ths of the January 2026 census. The funding mechanism for children 2 years old and under of working parents continues to be different and will be based on termly headcounts in the summer 2025 and autumn 2025 terms, and the January 2026 census.
18. It is estimated that pupil numbers on the January census and termly headcounts will be higher than the annual average uptake, which will benefit Leicestershire resulting in more funding being received than being paid out. From September 2025 the entitlement of 9 month olds and older children of working parents has been extended to 30 hours. The expansion of working parent entitlements, having different approaches to calculating entitlement allocations and funding allocations being determined by future counts adds complexity to forecasting and thus current forecasted financial position is subject to change. However, £4.6m of this balance is expected to be adjusted through the July 2026 funding reconciliation, reflecting the finalisation of participation data used to calculate entitlement allocations. As a result, the majority of the current projected position on the Early Years block is considered timing-related rather than recurrent, and the final outturn for 2025/26 is subject to this adjustment.

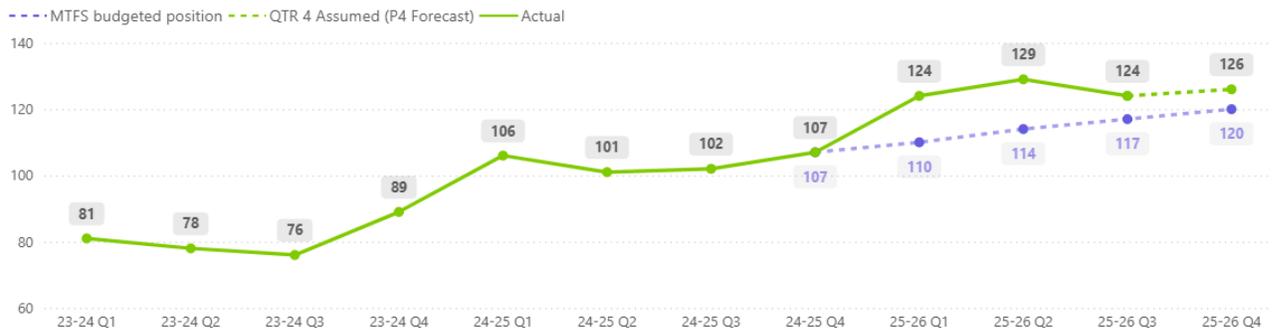
19. The final Local Government finance settlement for 2026/27 to 2028/29 announced government support to local authorities with DSG deficits as below:
- Phase 1 - Local Authorities with DSG deficits at the end of 2025/26 will be eligible to receive a High Needs Stability Grant covering up to 90% of their DSG deficit subject to each authority submitting and securing the Department for Education's (DfE) approval of a local SEND reform plan. The DfE will commission local area partnerships to develop these plans during 2026. Payments will then be made in autumn 2026.
  - Phase 2 – the Government will confirm the detail on further support for deficits arising in 2026/27 and 2027/28 before the end of the statutory override (31 March 2028), stating 'we will continue to take an appropriate and proportionate approach, although it will not be unlimited'.
  - From 2028/29 – SEND spending will be covered by the DfE's central budget meaning that local authorities will not be expected to fund future SEND costs from general funds, but no funding has yet been included in the DfE's budget for this.
20. The DfE has also advised that it will scrutinise local authority DSG accounts on an ongoing basis to identify discrepancies and significant fluctuations, as well as potential ineligible spend, which will be deducted from the total net DSG balance before calculating the 90% grant.
21. Based on the above, an initial estimate is that around £80m of government grant could be received by the Council in respect of its net DSG deficit as at 31 March 2026, subject to the DfE approval process. The Council would then need to fund the balance of £28m (of the £108m projected High Needs deficit) as at 31 March 2026 from the funding set aside by the Council in the budget equalisation reserve.
22. There are still ongoing financial risks with DSG deficits from April 2026 until responsibility transfers to the DfE from 2028/29. The level of government support for these deficits has not yet been confirmed and therefore the MTFS continues to set aside funding towards these deficits until the position becomes clearer.

#### Children and Family Services – Local Authority Budget (Other)

23. The Local Authority budget is projected to overspend by a net £5.6m (3.9%), mainly relating to financial pressures on the Children's Social Care Placements budget, Disabled Children's Service, and Education Psychology/SENA Service.
24. The projected net overspend on the Children's Social Care Placement budget (£6.3m) – comprising both Unaccompanied Asylum Seeking Children (UASC) and non-UASC placement costs is largely due to a small but financially significant change in demand in relation to children in residential provision, in comparison to budgeted assumptions. The MTFS for this financial year assumes budgeted residential numbers by March 2026 to be at 120 children (includes parent and child placements). Trend and demand analysis at the time of budget setting, and then subsequently until the end of quarter four of financial year 2024/25, showed demand remaining relatively stable.

25. However, as illustrated in the graph below, numbers had risen sharply in the first half of the financial year. The numbers have now reduced and are forecast to be 126 by year end (5% increase versus budgeted mitigated position in terms of overall volume). This is an improved position compared with what had been projected earlier this financial year. The current position and stabilisation of numbers is a key contributing factor for the reduced overspend that had been forecast in prior months.

Number of unique mosaic ID's requiring a residential placement at the end of the period

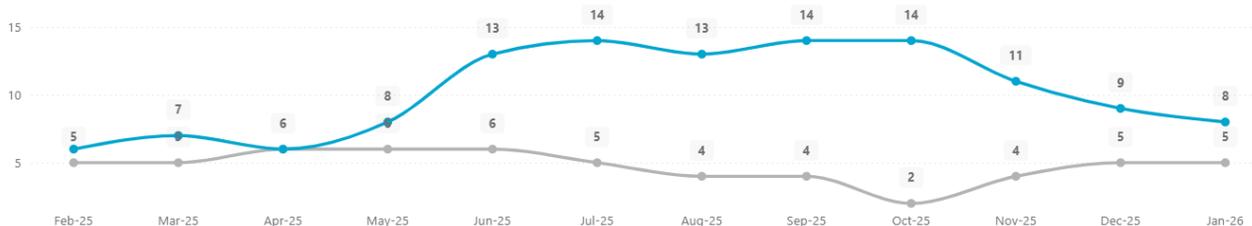


26. Of this overall increase in numbers, a small but financially significant increase in the number of unregistered and activity placements can be seen from May 2025 (see graph below). Unregistered placements are used when no other option is available and are more costly than registered residential placements, with the average weekly cost of such provision ranging from between £13,000 to £17,000 over the last 12 months. The current placement budget allows funding for up to 5 children in this provision type over the financial year.

Number of unique mosaic ID's requiring an unregistered or activity placement in the month.

\*\* Placement figures reflect monthly demand of young people requiring that placement type, not the number placed at any one time or for any specific duration.

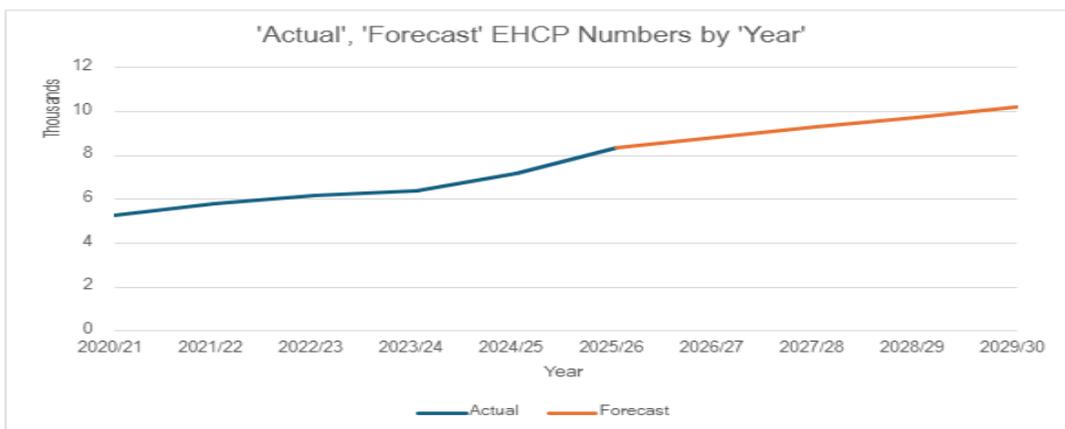
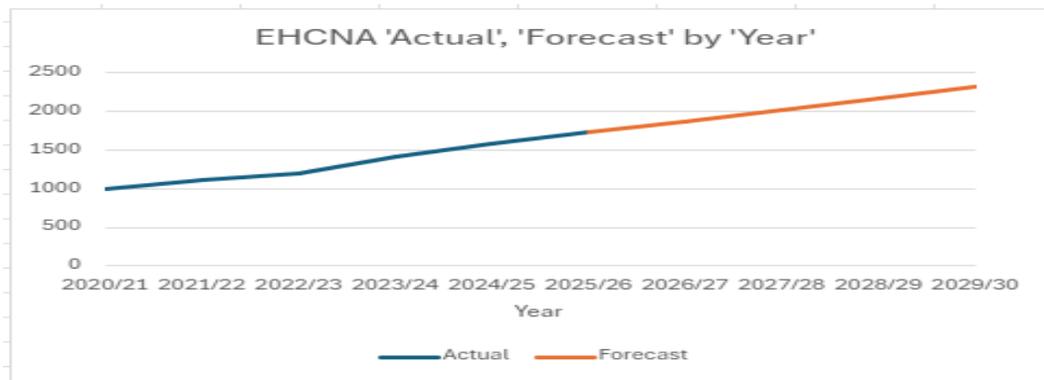
● Same Period Previous Year ● Current Year



27. For all children in activity / unregistered placements, searches are regularly undertaken to source a registered provision. However, there is currently a gap in the market to support these children and work needs to be undertaken with providers with a view to how they can support within the remit of their Ofsted registration. Often providers are unable to care / continue to care for children due to complex needs.
28. Senior managers in the Department have oversight of all children in unregistered placements and their circumstances and progress of placement searches are discussed in a weekly meeting chaired by the Assistant Director. For most, the period in unregulated or unregistered provision is short term, but for children with the most complex needs it is more challenging to secure a registered home and, if successful, to

keep them there. In the last 12 months, nine of the children who were placed in either an activity placement or an unregistered placement for a period have now moved into a registered home at a lower weekly cost.

29. Also, of note and of financial significance due to a very unique set of challenges and issues (sufficiency and need), is the need to place a small number of children in secure provision this year, which is determined by the court. This provision has a very high weekly cost, with average costs in excess of £35,000 per week (historically the upper limit of costs of such provision type has been no more than £15,000 per week). Whilst this is a small number of cases it contributes disproportionately to the overall projected in year overspend position.
30. As part of the direct actions being taken to mitigate against these financial pressures, the Defining Children and Family Services for the Future programme has several workstreams to enable MTFs benefits to be achieved alongside the Council's Social Care Investment Programme (SCIP) working in partnership with Barnardo's. This will have a positive impact through the creation of additional residential provision capacity for under 16's, over 16's and parent and children places. This programme will create capacity of up to 23 beds, of which 21 beds across multiple homes are now operational, with the remaining 2 beds to be operational within the coming months. In conjunction with the department's smarter commissioning programme, this is showing a positive trajectory in terms of current weekly unit costs compared with the budgeted position. This can be evidenced through a 15% reduction in average unit cost for UASC care leaver placement costs over the last 12-18 months.
31. Other departmental variances include a projected overspend on the Disabled Children's Service of circa £1.3m. This is linked to increased demand for support across both direct payments and commissioned services. The Children's Innovation Partnership with Barnardo's has seen the creation of an overnight short break unit, to support children with a disability, and ensure such demands in this area can be managed in the most appropriate and cost-effective manner. This unit opened at the end of January 2026, with around 20 children already in receipt of overnight short breaks through this home.
32. The Education Psychology/SENA service is projected to overspend by £0.9m in 2025/26. As illustrated in the graphs below, continued increased demand due to an increase in the number of EHCPs and EHCNAs (Education Health Care Needs Assessments) has further affected the overspend position within these service areas due to increased caseloads. There has been a 25% increase in EHCNAs since January 2025.



33. As a direct response to the financial pressures which are being seen in-year across the different service areas, the departmental management team undertook a review of non-statutory services supported by the introduction of corporate led financial controls. Together with continued robust management and review of vacancies within the department, this work has contributed to the early achievement of on-going MTFS savings of £0.7m. This includes delaying recruitment to non-essential posts where appropriate, as well as maximising any grant funding to ensure such prescribed outcomes can be met in the most efficient, effective and compliant way possible. Further work is being undertaken to explore the feasibility of this work and its scope to deliver on-going future budget efficiencies.

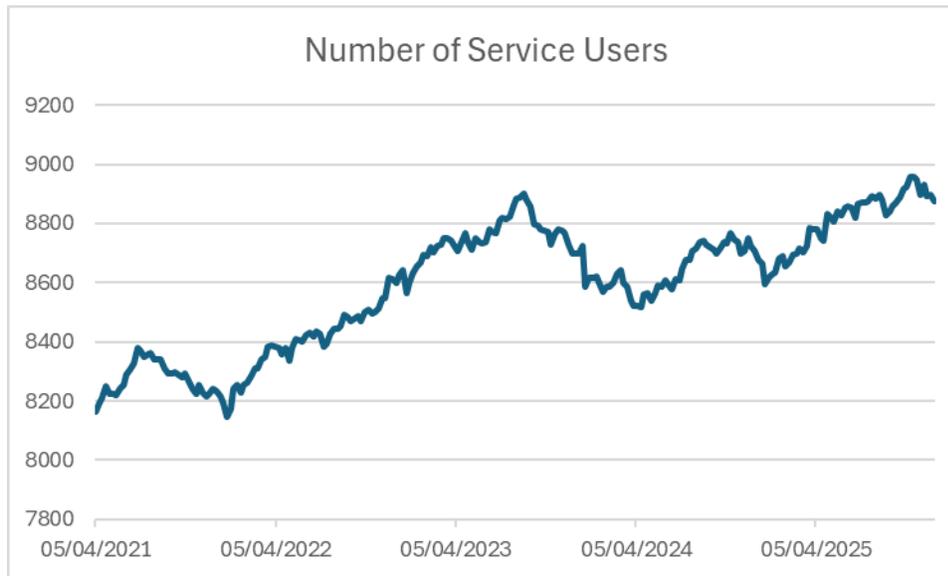
### Adults and Communities

34. A net underspend of £1.7m (0.7%) is forecast for the revenue budget for 2025/26.

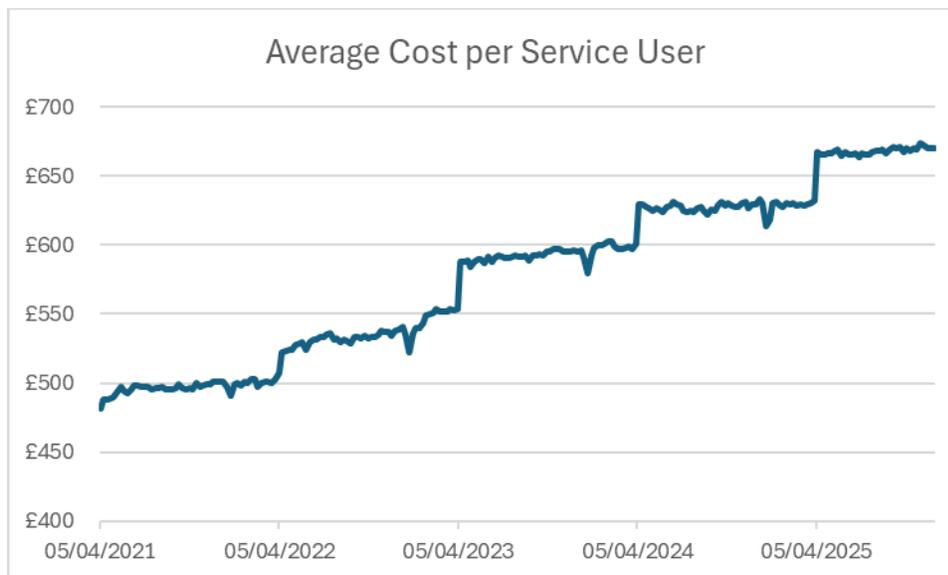
### Overall Demand Trends

35. The chart below shows the overall number of service users being supported across Residential Care, Homecare, Supported Living, Direct Cash Payments and Community Life Choices from April 2021 through to December 2025. Prior to the introduction of the Fair Outcomes Panel in September 2023 annualised growth from April 2021 to September 2023 was approximately 3.5%. Since then, the department has worked to be more efficient with commissioning and the growth in service users supported has

decreased to an annualised rate of 1.9% over the whole period. Over the course of the next year there is expected to be additional demand from reducing the number of cases that are awaiting to be allocated to social care teams.



36. The average cost per service user rose over the same period. The rise in April each year relates to the annual fee review uplift.



37. The department has established a wide-ranging demand management programme and a panel to review care packages since September 2023 which has started to have an impact on all commissioned services.
38. The main areas of budget variance forecast in 2025/26 are:

Supported Living - £1.3m overspend

39. There are estimated to be additional service users over the course of the year compared to the budget. The budget was based on a total of 530 service users and currently there are around 540 service users at £1,780 per week with another 12 people forecast to move into Supported Living accommodation by the end of this financial year.

Direct Cash Payments - £1.2m overspend

40. The clawback of unspent funds which is conducted as an ongoing process over the course of the year was disrupted by issues with the Council's Direct Payment card provider. Normal service has now been resumed but this had an impact on delaying the overall monies clawed back and it is forecast that there will be a shortfall for the financial year.

Adult Learning - £0.4m overspend

41. Reduction in grant funding of £0.2m and additional operational costs of £0.4m from restructure. Additional income of £0.2m has been obtained through an NI rebate and the Connect To Work grant, offsetting the overall overspend.

Home First - £1.5m underspend

42. The underspend is primarily from vacant support worker posts within the HART (reablement) Service that are in the process of being filled. Recruitment is ongoing as part of the department's plan to increase the HART workforce to enable more cases to be retained by the service thereby requiring fewer referrals to the external Homecare sector, which should generate better longer-term outcomes for the department. Recruitment, however, remains difficult within the social care market.

Non-Residential Income - £1.2m underspend

43. Additional health income; £0.7m relating to a higher number of supported living service users, £0.4m relating to Home Care due to a higher level of average funding per service user, and £0.4m relating to Direct Payments and Community Life Choices, some of which relates to previous years. The additional income is partly offset by a £0.1m increased contribution to the bad debt provision at year end.

Care Pathway - £0.6m underspend

44. Staffing vacancies both within the Cognitive and Physical Disability and Learning Disability and Autism care pathway teams reflect the current difficulties in recruiting the appropriate adult social care staff. This is offset by overspends within Mental Health and Safeguarding where agency staff are required to ensure that statutory responsibilities are delivered.

Better Care Fund (Balance) / Other NHS Income - £0.6m net underspend

45. Discharge to Assess income of £1.6m which can be used to support discharge-related costs from hospital are expected against a budget of £2.8m due to lower activity. Better Care Fund income from the minimum contribution to the Council is £1.8m above the budgeted amount.

Homecare - £0.5m underspend

46. Service user numbers have fluctuated broadly to near levels observed at the start of the financial year and have not yet increased as expected. In April 2025 service user numbers were 2,705. Currently there are 2,720 service users. The winter period may increase service user numbers reducing any underspend.

Public Health

47. The department is forecasting to be on budget.

Environment and Transport

48. A net underspend of £5.3m (4.3%) is forecast.
49. Across Highways and Transport operations a net £1.4m underspend is reported as a result of:
- Social Care Transport, £1.0m overspend arising from an increase in taxi spend as a consequence of insufficient service provision within Passenger Fleet.
  - Passenger Fleet, £0.7m underspend due to vacant driver and escort posts, net of additional vehicle hire, maintenance costs and lower income.
  - Environment and Reactive Maintenance, £0.5m overspend arising from additional costs to meet policy from continued deterioration of highways assets.
  - SEN Transport, £1.0m underspend. Contract savings following the SEN transport summer refresh, partly offset by increased costs from additional transport users due to a rise in the number of pupils with EHCPs.
  - Network Management, £0.4m underspend arising from additional permitting income from utility companies.
  - Street Lighting Maintenance, £0.3m underspend.
  - Mainstream Transport, £0.2m underspend relating to savings generated following the summer contracts review, partly offset by increased bus operational costs.
  - Highways income, £0.2m underspend arising from increased vehicle access income.
50. Development and Growth services are reporting a £1.4m underspend arising from additional section 38 and section 278 income (£0.7m), vacancies across teams (£0.6m), and school crossing patrols (£0.2m). This has been partly offset by an increase in Area Traffic Control (ATC) reactive faults resulting in additional traffic management costs (£0.1m).

51. A net underspend of £2.2m is reported for Environment and Waste Management services. Additional income from the sale of dry recyclable and trade waste (£0.8m), lower composting tonnage (£0.4m) as well as underspends arising from staffing vacancies (£0.3m) and changes to Waste treatment including diverting waste away from landfill (£0.6m) and associated haulage (£0.3m), is partially offset by a provision for the Charnwood Geopark (£0.1m) and increased property costs (£0.1m).
52. The remaining balance relates to an underspend on department and business management due to staffing vacancies (£0.3m).

### Chief Executive's

53. The Department is reporting a net underspend of £0.5m. (2.7%), mainly due to staffing vacancies within the Growth Unit (£0.3m) and reduced casual staffing costs and additional income within Registrars (£0.2m).

### Corporate Resources

54. A net underspend of £0.9m (2.3%) is forecast.
55. Early delivery of future savings, totalling £0.8m across both Property Services and IT, together with underspends arising from staffing vacancies of £0.9m.
56. Traded and Commercial services continue to report a shortfall against their target income of £0.8m in total. Trading remains difficult mainly due to the financial position of schools, which is impacting on demand for Commercial Services such as School Food, Bursar and LEAMIS services. This has also affected school bookings at Beaumanor Hall, which are further compounded by its temporary closure during the late spring/early summer last year.

### Central Contingencies

57. MTFS Risks Contingency: £8m. No release of the contingency has been assumed in the projection at this stage. If the contingency is not required it will be transferred to the budget equalisation reserve at year end to assist with addressing the projected MTFS budget gaps in future years.
58. Inflation Contingency: £7.6m underspend, after transfers of £26.7m to departmental budgets. The underspend mainly relates to forecast lower costs on social care fee reviews than anticipated in the MTFS along with lower forecasts on running costs, particularly regarding provision for the impact of National Insurance increases on supply chain costs. Also, the pay award for 2025/26 of 3.2% is lower than the provision of 3.5% made in the MTFS. A balance of £0.1m is forecast for some relatively minor final allocations to be finalised.
59. Service Investment Fund. This budget (£1.2m) has been transferred for 2025/26 purposes to the Environment and Transport budget, to be used for flood investigation and scheme development work to address flooding as well as bidding for funding for project

delivery. It will also provide capacity to administer Government flood-related grant funding.

### Central Items

60. The Financing of Capital budget is forecast to be underspent by £1.6m. This mainly relates to debt interest savings following the early repayment of £29m of external debt principal in September 2025. Following elevated gilt yields at historic highs caused by inflation remaining stubbornly above the Bank of England's target of 2% and the expectation of tax rises in the Autumn Statement there had been an increase in the discounts available for the premature repayment of Public Works Loan Board debt, which will then lead to annual savings in interest payments for the next 30 years in excess of the premiums paid. The Council's actual level of debt now stands at £146m, the lowest level for over 20 years. Compared with the capital financing requirement (the level of historic capital expenditure required to be funded) the Council is now forecast to be £48m underborrowed as at 31 March 2026, which can be funded using internal investment balances rather than more expensive external borrowing.
61. Bank and other interest, £4.5m forecast increased investment income. Due to the Bank of England base rate levels being higher and for longer than forecast, and higher than estimated average Council cash balances. The Bank of England base rate stands at 3.75% with market expectations for the base rate to reduce to 3.5% in March 2026.
62. Central expenditure budgets are currently forecast to underspend by £0.7m, mainly relating to the cleansing of receipted aged purchase orders that are no longer required and an increased forecast dividend from ESPO, net of the initial costs of £1.4m for the Council's Efficiency Review.
63. Additional contributions to corporate earmarked reserves of £11.6m. This mainly relates to an additional contribution to the Budget Equalisation reserve to provide cover for the increase in the forecast 2025/26 High Needs Block deficit.
64. The original MTFs projected a net revenue budget gap in 2025/26 of £4.7m which was planned to be covered by a contribution from the Budget Equalisation reserve. Given the current overall forecast position the contribution from the reserve can be removed and is currently not required.

### Business Rates

65. Reduced Business Rates Pool levy income of £0.3m is forecast for 2025/26. The current forecast based on data in the NNDR1 forms and updated forecasts from six of the seven district councils shows a total of £23.0m, of which one third (£7.7m) will be allocated to the County Council, compared with the forecast of £8.0m included in the 2025/26 budget to fund the capital programme.

## **Overall Revenue Summary**

66. At this stage the revenue budget is forecast to be underspent by £0.7m. This position assumes the use of £4.7m of reserves intended to balance the original budget for the financial year will not be required and that those monies can be retained to assist with addressing the projected MTFS budget gaps in future years.
67. The position is still subject to change with two months of the year remaining. The Provisional Outturn report to the Cabinet on 26 May 2026 (and the Scrutiny Commission on 10 June 2026) will include recommendations on the use of the final year-end net underspend.

## **CAPITAL PROGRAMME**

68. The updated capital programme for 2025/26 totals £205.0m. This follows a review of the programme undertaken over the summer and approved by the Cabinet in September 2025 and changes in funding since then.
69. The latest forecast on the capital programme for 2025/26 shows overall net slippage of £28.5m. A summary is shown in Appendix C with details of the variances provided in Appendix D.
70. The main variances are reported below.

### **Children and Families**

71. The department is forecasting net slippage of £5.9m compared with the updated budget. The major variances are described below.
- Ibstock Community College Expansion, £4.8m slippage due to delays in the planning process. Planning has now been approved and works have started.
  - Broughton Astley Primary, £1.5m slippage due to planning issues.

### **Adults and Communities**

72. The department is forecast to be on target to budget.

### **Environment and Transport**

73. The Department is forecasting net slippage of £20.5m. The main variances are described below.
- Melton Mowbray Distributor Road: £8.3m slippage due to weather-related programme delays and outstanding construction activities rephasing into 2026/27. The scheme is expected to be complete in May 2026.
  - Advanced Design: £4.7m slippage linked to both delays in Melton Mowbray Distributor Road (above) and Market Harborough improvement works.

- Vehicle Replacement Programme: £2.8m slippage due to procurement delays with delivery which are now expected in quarter one of 2026/27.
- A511 Major Road Network: £1.2m slippage resulting from delays in early contractor involvement and deferral of land acquisition to 2026/27.

74. Other schemes:

- Externally funded (S106) schemes: £0.9m slippage due to revised scheme scopes and programmes reprofiled for delivery in 2026/27.
- The Parade, Oadby CYCLOPS: £0.7m slippage following the exploration to rescope the scheme towards targeted corridor interventions (cycling and walkway improved at strategic locations).
- Safety Schemes: £0.6m net slippage caused by changes in scheme requirements, contract lead-times and flooding-related impacts across several projects.

75. Transport Asset Management programme – transfer of £3.9m (from the revenue budget) following a review of the grant conditions enabling the maximisation of the capital grant and reversing the previous substitution to the revenue budget.

### Corporate Resources

76. The department is forecasting slippage of £1.1m and an underspend of £0.2m compared with the updated budget. The major variances are listed below:

- Environmental improvements £0.6m slippage. Works to install electric vehicle car charging points rescheduled to coincide with completion of other car park improvements at some sites (£0.2m), public sector decarbonisation scheme delayed while contracts are reviewed (£0.3m), and rooftop solar slippage due to finalising the procurement route (£0.1m).
- Beaumanor Hall repairs - £0.5m slippage. Works to repair and reinstall the chimneys, gables and roof ridges to Beaumanor Hall are estimated to cost £0.5m over the next 12 months. Historic England has confirmed there are no funding opportunities available to support these costs, which will need to be funded by the Council, from earmarked reserves.
- Romulus Court Refurbishment, £0.2m underspend as the cost of capital works needed were less than originally anticipated.

### Corporate

77. The programme is forecasting net slippage of £0.7m compared with the updated budget. The major variances are listed below:

- Lutterworth East – Strategic Development Area (Planning and Preparatory works), Slippage of £0.3m due to delays with the procurement and construction programme process.
- M69 J2 Strategic Development Site, Slippage of £0.2m from delays with the emerging Blaby Local Plan and the need to reschedule the project programme to avoid the need to repeat technical surveys.

## Capital Receipts

78. The latest estimate of general and earmarked capital receipts in 2025/26 is £6.5m compared to the target (budget) of £15.6m, a shortfall of £9.1m. Forecasts indicate that the disposals will still be achieved but will now be later than planned. This position can be managed due to slippage on schemes across the capital programme.

## Investing in Leicestershire Programme – Quarter 3, 2025/26 update

79. The Council's Investing in Leicestershire Programme (liLP) is an integral part of the MTFS. Investments in property and other indirect holdings generate income that supports the Council's MTFS whilst contributing to the wider strategic objectives of the Council and the economic wellbeing of the area. The liLP Strategy is approved annually as part of the MTFS.
80. A summary of the liLP position at quarter three of 2025/26 is included within Appendix E. This shows forecast total net income for the year of £8.6m which is in line with the budget for 2025/26. The total budget is split between direct core holdings and diversifier investments. The position also includes a budgeted contribution to the sinking fund of £0.7m in 2025/26. Any outperformance versus the budget will, like in previous years be taken to the sinking fund which is forecast to rise towards £10m by the end of the MTFS period. At present a £0.2m outperformance is expected in the year and will be taken to the sinking fund.
81. The directly owned office estate is under pressure and is forecasting a £0.3m adverse variance. This is due to voids which have been a headwind in an increasingly competitive office market. The headwinds are expected to continue into the new year. The pressure on the direct property estate is offset by favourable variances to full year income on the diversifier investments.
82. The forecast percentage full year net income return for the liLP is 5.7% for 2025/26 when excluding the development assets still in construction, and rural estate. Including these asset classes reduces the forecast net income return to 3.0% for the year as a consequence of the low percentage returns against the rural estate which is expected. Assets are also held in order to benefit from capital appreciation. For example, external rural revaluations over the past few years have materially increased the carrying value of the overall rural estate.
83. The diversifiers are pooled fund investments alongside other investors. The purpose of holding is to reduce overall liLP portfolio risk by investing in differing asset classes and geographies. Four separate types of investment are included: UK pooled property funds, a global infrastructure fund, three vintages of a pooled private credit strategy (private debt) and two vintages of a bank risk share strategy. The aim is to provide diversified income from a variety of differing sources.
84. One of the original four pooled property funds within the diversifier's portfolio is in the process of being liquidated after large investors requested redemptions. The process is nearly complete with just a small amount left to distribute to unit holders. The liquidation

decision came at a time when property prices had fallen as interest rates rose through 2022 and 2023 with the liquidation proceeds commencing in 2024. Another one of the original four investments has undergone restructuring and the liLP received £7.3m of a £7.5m holding for all of its units in August 2025. Income was received every quarter from both pooled property investments representing the rental income less expenses from the underlying investments.

85. It is planned to commit to replace diversifier investments returning capital during 2025/26. The first of these was a new investment in bank risk share where £9.7m was invested in the quarter ending 31 December 2025. Investments replacing current private credit vintages will be presented for consideration. There are currently three private credit investments that are returning capital alongside providing regular income.

### **Recommendation**

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

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

87. None.

### **Equality Implications**

88. There are no direct equality implications arising from this report.

### **Human Rights Implications**

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

### **Background Papers**

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

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

Report to the Cabinet – 12 September 2025– Medium Term Financial Strategy – Budget Monitoring and MTFs Refresh

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7879&Ver=4>

### **Appendices**

Appendix A: Revenue Budget monitoring statement (Period 10)

Appendix B: Revenue budget major variances

Appendix C: Capital Programme monitoring statement (Period 10)

Appendix D: Capital Programme – forecast main variances and changes in funding

Appendix E: Investing in Leicestershire Programme – 2025/26 Quarter 3 update

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**REVENUE BUDGET MONITORING STATEMENT 2025/26**  
**(AS AT PERIOD 10)**

	Updated Budget	Projected Outturn	Difference from Updated Budget	
	£000	£000	£000	%
<b><u>Schools Budget</u></b>				
Schools	72,467	72,417	-50	-0.1
Early Years	109,191	103,331	-5,860	-5.4
DSG Funding	-181,658	-181,658	0	0.0
	<u>0</u>	<u>-5,910</u>	<u>-5,910</u>	
<i>Earmarked reserve - start of year</i>			<u>-16,054</u>	
<i>Earmarked reserve - end of year</i>			<u>-21,964</u>	
High Needs	118,091	161,201	43,110	36.5
Dedicated Schools Grant (DSG)	-118,091	-118,091	0	0.0
	<u>0</u>	<u>43,110</u>	<u>43,110</u>	
<i>Earmarked reserve - start of year</i>			<u>64,403</u>	
<i>Earmarked reserve - end of year</i>			<u>107,513</u>	
<b><u>LA Budget</u></b>				
Children & Family Services (Other)	145,335	150,935	5,600	3.9
Adults & Communities	252,610	250,860	-1,750	-0.7
Public Health *	-2,746	-2,746	0	0.0
Environment & Transport	123,154	117,844	-5,310	-4.3
Chief Executives	17,429	16,959	-470	-2.7
Corporate Resources	41,341	40,401	-940	-2.3
DSG (Central Dept. recharges)	-2,285	-2,285	0	0.0
MTFS risks contingency	8,000	8,000	0	0.0
Contingency for Inflation/Living Wage	7,655	105	-7,550	-98.6
Total Services	<u>590,492</u>	<u>580,072</u>	<u>-10,420</u>	<u>-1.8</u>
<b><u>Central Items</u></b>				
Financing of capital	14,633	13,033	-1,600	-10.9
Bank & other interest	-12,000	-16,500	-4,500	37.5
Central expenditure	3,263	2,593	-670	-20.5
Total Central Items	<u>5,896</u>	<u>-874</u>	<u>-6,770</u>	<u>-114.8</u>
Contribution to earmarked reserves	22,600	34,200	11,600	51.3
Contribution to General Fund	1,000	1,000	0	0.0
Contribution from budget equalisation reserve to balance 2025/26 revenue budget	-4,653	0	4,653	-100.0
<b>Total Spending</b>	<u>615,335</u>	<u>614,398</u>	<u>-937</u>	<u>-0.2</u>
<b><u>Funding</u></b>				
Revenue Support Grant (new burdens)	-1,229	-1,229	0	0.0
Business Rates - Top Up	-42,912	-42,912	0	0.0
Business Rates Baseline / retained	-31,818	-31,728	90	-0.3
S31 Grants - Business Rates	-17,713	-17,843	-130	0.7
Allocation of Business Rates Pool Levies	-8,000	-7,680	320	n/a
Council Tax Precept	-422,465	-422,465	0	0.0
Council Tax Collection Funds - net surplus	-1,493	-1,493	0	0.0
New Homes Bonus Grant	-1,041	-1,041	0	0.0
Improved Better Care Fund Grant etc.	-14,190	-14,190	0	0.0
Social Care Grant	-50,971	-50,971	0	0.0
ASC Market Sustainability & Improvement Fund	-10,562	-10,562	0	0.0
Children's Social Care Prevention Grant	-1,488	-1,488	0	0.0
Domestic Abuse Safe Accommodation Grant	-1,464	-1,464	0	0.0
National Insurance increase - compensation	-3,656	-3,656	0	0.0
Extended Producer Responsibility (EPR)	-6,333	-6,333	0	0.0
<b>Total Funding</b>	<u>-615,335</u>	<u>-615,055</u>	<u>280</u>	<u>0.0</u>
<b>Net Total</b>	<u>0</u>	<u>-657</u>	<u>-657</u>	

\* Public Health funded by Grant (£29.9m)

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**Revenue Budget 2025/26 – forecast main variances (Period 10)****Children and Family Services****Dedicated Schools Grant**

A net overspend of £37.2m is forecast. The main variances are:

	£000	% of Budget
<b>DSG High Needs Block (HNB) earmarked reserve drawdown</b>	<b>15,255</b>	<b>n/a</b>
The DSG budget in the original MTFS includes an estimated HNB drawdown of £15.3m as the forecast in year overspend.		
<b>Special Educational Needs</b>	<b>27,350</b>	<b>23%</b>
Due to sustained year-on-year growth in demand for funded Education, Health and Care Plans (EHCPs) since they were introduced in 2014, a £15m overspend on the HNB budget was anticipated after mitigations for the 2025/26 financial year based on a 7% increase in EHCPs from the previous year. The current High Needs Block projected overspend is circa £28m more than the budgeted £15m nominal drawdown as the planned in year overspend. This is largely due to increased volume/demand on the placement budget vs budgeted assumptions based and set on Autumn 24 data/intelligence.		
Since that position – overall demand through the front door has continued to rise. Currently there are 8834 EHCP's at the end of Feb-26, a 23% increase since the previous year, and 195% increase in EHCPs since 2016. It is anticipated that demand for funded packages will reach circa 9000 EHCP's by March 26 (c.20% increase vs budgeted position post mitigations). Recent increases in demand are being seen nationally and are likely a result of uncertainty on the government's future SEND reforms.		
<b>Specialist Teaching Service (STS)</b>	<b>505</b>	<b>21%</b>
Combination of increased demand on services and financial impact of staffing pay awards not being fully funded for these fully High Needs Block funded services.		
<b>Early Years / Nursery Education Funding</b>	<b>-5,860</b>	<b>-5%</b>
Currently projecting a net underspend of circa £5.86m across all age group entitlements. It is estimated that pupil numbers on the January census and termly headcounts will be higher than the annual average uptake, which will benefit Leicestershire resulting in more funding being received than being paid out. From 1st September 2025 the entitlement of 9-month-olds and older children of working parents has been extended to 30 hours. The expansion of working parent entitlements, having different approaches to calculating entitlement allocations and funding allocations being determined by future counts adds complexity to forecasting and thus current forecasted financial position is subject to change.		
However, £4.6m of this balance is expected to be adjusted through the July 2026 funding reconciliation, reflecting the finalisation of participation data used to calculate entitlement allocations. As a result, the majority of the current projected position is considered timing related rather than recurrent, and the final outturn for 2025/26 is subject to this adjustment.		
<b>Other variances</b>	<b>-50</b>	<b>n/a</b>
<b>TOTAL</b>	<b>37,200</b>	<b>n/a</b>

Local Authority Budget

The Local authority budget is forecast to overspend by £5.6m (3.9%). The main variances are:

	£000	% of Budget
<b>Children's Social Care Placements</b>	<b>6,270</b>	<b>9%</b>
<p>The projected net overspend is largely due to a small but financially significant change in demand / numbers in relation to children in residential provision, in comparison to budgeted assumptions. The MTFs for this financial year assumes budgeted residential numbers by March 2026 to be at 120 children (includes parent and child placements). Trend and demand analysis at the time of budget setting, and then subsequently till end of qtr.4 of financial year 2024/25, showed demand remaining relatively stable.</p> <p>However, numbers during the e first half of 2025/26 have risen sharply. As at end of Qrt3 2025/26 numbers in residential provision stood at 124, and current projections assume by the end of the financial year this number could rise to 126 (5% increase vs budgeted mitigated position in terms of overall volume). This is an improved position versus what had previously been projected earlier this financial year, and the current position and stabilisation of numbers is a key contributing factor for the reduced overspend position that had previously been forecasted in prior months.</p> <p>Of this overall increase in numbers, a small but financially significant increase during the financial year in the number of unregistered and activity placements can be seen from May 2025. Unregistered placements are used when no other option is available and are more costly than registered residential placements, with the average weekly cost of such provision ranging from between £13k to £17k over the last 12 months.</p> <p>Also, of note and of financial significance due to a very unique set of challenges and issues (sufficiency &amp; need), is the need to place a small number of children in secure provision this year, which is determined by the court. This provision has a very high weekly cost, in the region of £37k per week (historically the upper limit of costs of such provision type has been no more than £15k per week). Whilst this is a small number of cases it contributes disproportionately to the overall projected in year overspend position.</p>		
<b>Disabled Children Service</b>	<b>1,300</b>	<b>34%</b>
<p>Increased demand for support across both direct payments and commissioned services. The Children's Innovation Partnership with Barnardo's and the creation and opening of an overnight short break unit, to support children with a disability will have a positive effect to ensure demands in this area can be managed in the most appropriate and cost effective manner.</p>		
<b>Educational Psychology Service and SENA Service</b>	<b>940</b>	<b>22%</b>
<p>Continued increased demand due to an increase in the number of EHCPs (Education Health Care Plans) and EHCNAs (Education Health Care Needs Assessments) has further impacted the overspend position within these service areas due to increased caseloads.</p>		
<b>Children Social Care - Family Safeguarding &amp; First Response Services</b>	<b>570</b>	<b>5%</b>
<p>Increased complexity of cases and increased demand overall on services, which is partly being supported through agency workers, adding to the financial burden on this budget.</p>		
<b>Departmental Financial Controls / Vacancy Control Management</b>	<b>-2,790</b>	<b>n/a</b>
<p>As a direct response to the financial pressures which were being seen in year across the different service areas, the departmental management team took and continue to lead on a review of non-statutory services supported by the introduction of corporate led financial controls. This has contributed to the early achievement of on-going MTFs savings of £0.68m.</p> <p>Natural turnover of staff, together with continued robust management and review of vacancies within the department the output of this work has delivered some net one-off in year efficiencies, and budget opportunities, which includes delaying recruitment to non-essential posts where appropriate, as well as maximising any grant funding to ensure such prescribed outcomes can be met in the most efficient, effective and compliant way possible.</p>		
<b>Education Quality &amp; Inclusion</b>	<b>-690</b>	<b>-16%</b>
<p>Staff turnover and in year vacancies which have been unfilled for large parts of the year.</p>		
<b>TOTAL</b>	<b>5,600</b>	<b>n/a</b>

Adults & Communities

The Department has a net forecast underspend of £1.7m (0.7%). The main variances are:

	£000	% of Budget

<b>Supported Living</b>	<b>1,335</b>	<b>3%</b>
Higher service user numbers were incurred after budget setting for 25/26. The budget is based on total of 530 service users over the course of the year and currently there are around 540 service users at £1,780 per week with another 12 people forecasted to move into Supported Living properties by the end of this financial year.		
<b>Direct Cash Payments</b>	<b>1,200</b>	<b>3%</b>
The clawback of unspent funds which is conducted as an ongoing process over the course of the year was disrupted by issues with our Direct Payment Card Provider. Normal service has now been resumed but this had an impact on delaying claw backs. This is a timing difference and is expected to be recovered. Despite an increase in 40 service users over Period 1-10, average costs per service user (SU) have broadly remained flat for this period. The forecast has an average of 1,683 SU with an average cost per week of £526 and Carers averaging at 1,355 SU with an average cost per week of £55.		
<b>Mental Health &amp; Safeguarding (MH&amp;S)</b>	<b>415</b>	<b>5%</b>
Staffing overspend primarily from using agency staff (£300k) in order to reduce the await care list in line with the CQC Improvement Plan and also to cover several vacancies within Mental Health locality teams to ensure that statutory duties are maintained. In addition there is a £97k overspend relating to the Emergency Duty Team driven by volume of work.		
<b>Adult Learning</b>	<b>360</b>	<b>n/a</b>
Forecast overspend due to reduction in grant funding announced in April 25 of £197k. HR action plans prepared to deliver savings have been delayed, therefore expecting overspend in operational costs and £396k for exit costs from restructure. Additional income of (£186k) through NI rebate and (£45k) from Connect To Work offsetting overall overspend.		
<b>Residential and Nursing Care</b>	<b>115</b>	<b>0%</b>
There is an overall forecast overspend for residential care of £0.1m. Service user numbers were broadly flat for the first quarter of the financial year. However, since July the service user numbers have risen by approximately 30 causing a forecast overspend of £1.8m in expenditure. The overall average for the year is forecast to be 2,447 service users per week costing an average of £1,175 per week. Offsetting the overspend is a surplus in the service user income budget of £1m primarily from recent charging runs showing a 7% increase in weekly chargeable income from service users. Health income is forecast to be £650k above budget due to an increasing number of residential health funded service users together with the department working to improve the collection of historic health funding.		
<b>Home First</b>	<b>-1,475</b>	<b>-14%</b>
The underspend is primarily from vacant Support Worker posts within the HART Service. Recruitment is ongoing as part of the Department's plan to increase the HART workforce to enable more cases to be retained by the service requiring fewer referrals to the Independent Homecare sector which should generate a saving to the department. Recruitment however remains difficult within the social care market.		
<b>Non Residential Income</b>	<b>-1,245</b>	<b>3%</b>
Additional health income relating to Supported Living service users is forecast to be £650k over budget due to a higher number of service users observed since budget setting. Health Income relating to Home Care are generating an additional £350k which is mainly due to a higher level of average funding per service user. An additional over-recovery of £350k of health income relates to Direct Payments and Community Life Choices, some of which relates to previous years. A shortfall in Non-Residential Client Income of £100k is expected primarily from a higher contribution to the Bad Debt Provision at year end.		
<b>Cognitive and Physical Disability</b>	<b>-640</b>	<b>-8%</b>
There is a £304k underspend on staffing primarily in Occupational Therapy Teams (£237k) which are difficult to recruit to posts and Harborough Care Pathway Team (£81k) and Blaby, Oadby and Wigston Care Pathway Team (£14k). Also £334k underspend on Aids and Adaptations primarily from the Integrated Community Equipment Service, as a result of LCC's contribution to the pool decreasing in 25/26.		
<b>Better Care Fund (Balance)</b>	<b>-595</b>	<b>2%</b>
Discharge to Assess income of £1.6m of funds are expected against a budget of £2.8m due to lower activity. Better Care Fund income from minimum contribution to LCC is £1.8m above the budgeted amount.		
<b>Homecare</b>	<b>-535</b>	<b>-1%</b>
Service user numbers have fluctuated around levels observed since the beginning of the financial year. At the start of the year service user numbers were 2,705 and average hours commissioned were 10.8 hours per person. Currently there are 2,709 service users with the same average hours of 10.8. The winter period may increase service user numbers towards the end of the financial year reducing any underspend.		
<b>Learning Disability and Autism</b>	<b>-250</b>	<b>-5%</b>

There is an underspend in NWL Care Pathway Team (£353k) due to vacancies and difficulties in recruiting staff. This is offset by £101k overspend in Hinckley Care Pathway Team where agency staff are required to cover sickness and vacancies.

<b>Other variances (under £100k)</b>	<b>-435</b>	<b>n/a</b>
<b>TOTAL</b>	<b>-1,750</b>	<b>n/a</b>

### **Public Health**

The Department has a projected balanced position. There are some variances:

	<b>£000</b>	<b>% of Budget</b>
<b>Public Health Leadership</b>	<b>200</b>	<b>-1%</b>
Variance largely due to reduced income being drawn down from reserve.		
<b>Health Protection</b>	<b>-90</b>	<b>-15%</b>
Underspend on Community Infection Prevention and Control (CIP&C) due to impact of Action Plan.		
<b>NHS Health Check programme</b>	<b>-70</b>	<b>-12%</b>
Quarter 3 data indicates that fewer Health Checks have been undertaken than originally forecast.		
<b>Weight Management Service</b>	<b>-55</b>	<b>-16%</b>
Variance mainly due to staffing vacancies (-£41k) and an underspend on general running costs of -£15k).		
<b>Other variances (under £50k)</b>	<b>15</b>	<b>n/a</b>
<b>TOTAL</b>	<b>0</b>	<b>n/a</b>

### **Environment and Transport**

The Department is forecasting a net underspend of £5.3m (4.3%). The main variances are:

	<b>£000</b>	<b>% of Budget</b>
<b>Social Care Transport</b>	<b>980</b>	<b>15%</b>
Overspend due to additional taxi costs that are largely met by an underspend on Passenger Fleet.		
<b>Environmental Maintenance</b>	<b>305</b>	<b>6%</b>
Overspend due to additional works required keeping gulleys clear following named storm events.		
<b>Reactive Maintenance</b>	<b>230</b>	<b>17%</b>
Policy led safety and network resilience works following inspections and the May 2025 coroner inquiry are driving the pressure - includes £100k to rectify non-illuminated sign defects identified post-coroner, £18k for extreme-weather response (Long Clawson culvert cleansing following the Jan-2025 storms, with further works required) and £27k for reactive repairs to safety barriers; the overspend is unavoidable and compliance-driven.		
<b>SEN Transport</b>	<b>-950</b>	<b>300%</b>
Underspend due to higher than budgeted contract savings arising from the summer transport reviews (£1.5m) and a release of prior year over accruals (£0.2m) partly offset by an increase in users. There has been a recent increase in the number of active EHCPs, with some users coming through into Transport. Issues with sufficiency remain. The P10 forecast includes provision for an additional 136 new users expected to need transport between February and March.		
<b>H &amp; T Network Staffing &amp; Admin</b>	<b>-880</b>	<b>-33%</b>
Underspend largely due to increased Section 38 and Section 278 developer income in Infrastructure.		
<b>Dry Recycling</b>	<b>-730</b>	<b>-29%</b>
Underspend mainly due to better material prices. In addition small net underspend due to slightly lower tonnage forecast by 2,463 tonnes.		
<b>Passenger Fleet</b>	<b>-680</b>	<b>n/a</b>
Overall underspend on Passenger Fleet due to vacant driver and escort posts (£992k) partially offset by higher running costs (£90k) and lower income forecasts (£222k).		
<b>Staffing, Admin &amp; Depot Overheads</b>	<b>-570</b>	<b>-12%</b>
Additional income from greater temporary traffic regulation orders (TTRO) and permitting activity under network management, increased vehicle access income partly offset by increased Highway depot costs.		
<b>Landfill</b>	<b>-415</b>	<b>-16%</b>
Underspend due to waste being diverted out of Landfill into Treatment.		
<b>Composting Contracts</b>	<b>-370</b>	<b>-17%</b>

Underspend mainly due to reduced tonnage forecast of Composting as a result of dry weather in the summer, approximately 10,191 reduced tonnage at a rate of £32 per tonne. The remaining underspend is due to lower prices than budgeted.		
<b>Haulage &amp; Waste Transfer</b>	<b>-340</b>	<b>-13%</b>
Lower bulk haulage due to operational changes moving waste to different destinations, and slightly lower tonnages.		
<b>Street Lighting Maintenance</b>	<b>-335</b>	<b>-12%</b>
Underspend due to structural testing change from more expensive deflection testing to ultrasonic testing, fewer streetlight column knockdowns, less electrical testing and network cabling and less energy kWh's used due to better weather over the summer period.		
<b>Management &amp; Admin (Environment &amp; Waste)</b>	<b>-280</b>	<b>-10%</b>
Underspend due to vacancies and timing of recruitment across the team.		
<b>Staffing &amp; Admin (E&amp;W)</b>	<b>-265</b>	<b>-15%</b>
Underspend due to vacancies across E&W management commissioning teams.		
<b>Staffing &amp; Admin Delivery</b>	<b>-225</b>	<b>-5%</b>
Underspend driven by staffing vacancies in Highway Control and additional capital recharge income.		
<b>Road Safety</b>	<b>-210</b>	<b>-28%</b>
Underspend mostly due to vacant posts savings in school crossing patrols (95%) and road safety tutors (5%).		
<b>Development &amp; Growth</b>	<b>-200</b>	<b>-12%</b>
Underspend due to staffing vacancies across teams.		
<b>Mainstream School Transport</b>	<b>-195</b>	<b>-3%</b>
Underspend includes £521k of contract savings, partly offset by ongoing increased costs and reduced competition.		
<b>H &amp; T Staffing &amp; Admin</b>	<b>-135</b>	<b>-4%</b>
Underspend due to staffing vacancies and reduced agency expenditure which is partly offset by a shortfall in capital recharge income.		
<b>Income</b>	<b>-105</b>	<b>7%</b>
Increased trade waste income at Whetstone Waste Transfer Station.		
<b>Other variances (under £100k)</b>	<b>60</b>	<b>n/a</b>
<b>TOTAL</b>	<b>-5,310</b>	<b>n/a</b>

### Chief Executive's

The Department is forecasting a net underspend of £0.5m (2.7%). The main variances are:

	<b>£000</b>	<b>% of Budget</b>
<b>Legal Services</b>	<b>230</b>	<b>4%</b>
Variance caused by overspend on staffing due to the use of Locums to temporarily fill vacancies (+£37k) and reduced income (+£287k), offset by an underspend on demand led costs (-£91k) through the utilisation of the in-house advocate role.		
<b>Departmental Items</b>	<b>150</b>	<b>n/a</b>
Department-wide saving for staffing vacancy held in this budget. Overspend here is offset by underspends elsewhere in the department.		
<b>Growth Service</b>	<b>-355</b>	<b>-31%</b>
Underspend largely due to current vacancies which are subject to ongoing recruitment activity.		
<b>Registrars</b>	<b>-170</b>	<b>n/a</b>
Underspend largely due to additional income (-£74k) as wedding income continues to be buoyant and a reduction in staff costs through the reduction in the use of casual staff (-£130k), offset by additional premises costs (+£34k), including those incurred during Beaumanor closure.		
<b>Management and Administration</b>	<b>-145</b>	<b>-18%</b>
Underspend due to staffing vacancies that will not be filled by the end of the financial year.		
<b>Democratic Services and Administration</b>	<b>-140</b>	<b>-10%</b>
Underspend mainly due to staffing vacancies.		
<b>Policy and Communities</b>	<b>-70</b>	<b>-5%</b>
Underspend largely due to current vacancies which are subject to ongoing recruitment activity.		
<b>Other variances (under £50k)</b>	<b>30</b>	<b>n/a</b>
<b>TOTAL</b>	<b>-470</b>	<b>n/a</b>

### Corporate Resources

The Department has a net forecast underspend of £0.9m (2.3%). The main variances are:

	£000	% of Budget
<b>Commercial Services</b>	<b>795</b>	<b>-198%</b>
Challenging commercial environment as customers (especially schools) are facing their own financial challenges. This risk has particularly manifested itself in School Food which is forecasting a £0.2m overspend but also Beaumanor Outdoor Activities (£0.1m) and Professional Services (£0.2m). In addition, the impact of the temporary closure of Beaumanor Hall (£0.1m) related to required chimney repair and maintenance works has impacted income. A stretch target of £0.2m will not be met in 2025/26.		
<b>Corporate Human Resources</b>	<b>185</b>	<b>7%</b>
Additional posts to support management of staff absences and recruitment (LCC wide).		
<b>Business Support</b>	<b>70</b>	<b>6%</b>
Overspend relates to implementation of records management system.		
<b>Commissioning Support</b>	<b>70</b>	<b>5%</b>
Staffing overspend due to covering long term sickness through agency (£50k), and one off costs relating to the implementation of new procurement software £20k).		
<b>ICT</b>	<b>-890</b>	<b>-7%</b>
Underspend on staffing across multiple teams (£0.3m). Early delivery of MTFS Savings (£0.4m). Other IT underspends related to reduced running costs across multiple areas and increased income.		
<b>Building Running Costs</b>	<b>-330</b>	<b>-7%</b>
Early delivery of MTFS savings (£85k) related to disposal of Roman Way and energy cost savings (£50k), reduced building costs across the corporate estate (£145k) and increase in government grants (£50k).		
<b>Strategic Finance</b>	<b>-225</b>	<b>-5%</b>
Underspend on staffing and vacant posts.		
<b>Strategic Property</b>	<b>-225</b>	<b>-7%</b>
Staffing underspend (£0.2m) as vacancies held across all teams pending a major review and early delivery of MTFS savings (£90k) relating to early exit of Romulus Court, offset by Property Disposal costs (£70k).		
<b>East Midlands Shared Services</b>	<b>-225</b>	<b>-6%</b>
Reduction in LCC contribution towards partnership (underspend split 50:50 with Nottingham City Council). Staffing vacancies offset by increased debt management costs and reduced income		
<b>Audit &amp; Insurance</b>	<b>-65</b>	<b>-3%</b>
Staffing underspend in Audit (£88k) offset by slightly higher insurance premium costs (£23k).		
<b>Learning and Development</b>	<b>-55</b>	<b>-4%</b>
Underspend due to staffing vacancies, additional income for student placements and a lower than anticipated training requirement based on current requests.		
<b>Other variances</b>	<b>-45</b>	<b>n/a</b>
<b>TOTAL</b>	<b>-940</b>	<b>n/a</b>

**CAPITAL PROGRAMME MONITORING STATEMENT (PERIOD 10)**

	Revised Capital Programme 2025/26 * £000	Changes in Funding 2025/26 £000	Updated Budget 2025/26 £000	Forecast £000	Updated Budget v Forecast Variance £000
Children & Family Services	51,927	342	52,270	46,334	-5,936
Adults and Communities	5,573	533	6,106	6,106	0
Environment & Transport	119,088	4,658	123,746	103,235	-20,511
Chief Executive's	0	0	0	0	0
Corporate Resources	3,682	463	4,145	2,851	-1,294
Corporate Programme	18,949	-200	18,749	18,039	-710
<b>Total</b>	<b>199,219</b>	<b>5,796</b>	<b>205,014</b>	<b>176,564</b>	<b>-28,450</b>

\* Approved by the Cabinet in September 2025.

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**Capital Budget 2025/26 – forecast main variances****Children and Family Services**

Net slippage of £5.9m is forecast compared with the updated budget. The main variances are:

	£000
<b>Ibstock Community College Expansion</b>	<b>-4,844</b>
Delays in the planning process means this scheme has slipped. Planning has now been approved and work has started on site.	
<b>Broughton Astley Primary</b>	<b>-1,500</b>
Planning issues have resulted in slippage to the delivery timeline.	
<b>Hinckley Redmoor Academy</b>	<b>761</b>
Acceleration of £0.7m anticipated at P10 due to good progress to date on the scheme.	
<b>Dorothy Goodman</b>	<b>-212</b>
£0.2m underspend. Scheme is complete and now in defects period.	
<b>Other variances</b>	<b>-141</b>
<b>TOTAL</b>	<b>-5,936</b>

**Adults & Communities**

The forecast spend is in line with the updated budget.

**Environment and Transport**

Net slippage of £20.5m is forecast compared with the updated budget. The main variances are:

	£000
<b>Transport Asset Management</b>	<b>329</b>
Restorative Maintenance: Acceleration of £0.3m due to network deterioration pushing additional reactive works through faster than profiled.	
<b>Melton Mowbray Distributor Road</b>	<b>-8,299</b>
Slippage due to weather related programme delays and outstanding construction activities rephasing into 2026/27. The scheme is expected to be complete in May 2026.	
<b>Advanced Design</b>	<b>-4,718</b>
Slippage linked to both delays in Melton Mowbray Distributor Road (above) and Market Harborough improvement works.	
<b>Vehicle Replacement programme</b>	<b>-2,790</b>
Due to procurement and supply issues the delivery of vehicles has slipped to Q1 of 26/27.	
<b>A511 Major Road Network (MRN)</b>	<b>-1,202</b>
Slippage due to delays in early contractor involvement and purchasing of land. Land acquisition now expected in 2026/27.	
<b>Externally funded schemes</b>	<b>-872</b>
Slippage due to revised scope of schemes reprofiling to 26/27	
<b>The Parade, Oadby CYCLOPS</b>	<b>-661</b>
The Parade, Oadby Cyclops: £0.7m slippage following the exploration to rescope the scheme towards targeted corridor interventions (cycling and walkway improved at strategic locations).	
<b>Safety Schemes</b>	<b>-620</b>
Slippage due to changes in scheme direction, contract lead-times and flooding impacts.	

<b>Property Flood Risk Alleviation</b>	<b>-407</b>
Rephasing of EA/Local Levy schemes into next year driven by survey/design and delivery window delays and outstanding EA approvals/claim sign-offs.	
<b>Area Office Accommodation</b>	<b>-324</b>
Slippage in the Melton Depot Replacement. Ongoing work to identify a suitable site and design has delayed the start of the programme.	
<b>Bridge Maintenance</b>	<b>-234</b>
Investigatory works and procurement delays on Cosby Road scheme have pushed delivery into 26/27 (Summer 2026 window)	
<b>Street Lighting</b>	<b>-259</b>
Underspend due to actual costs being lower for Market Harborough than required as assumption of cabling and feeder pillars was better than expected.	
<b>Food Waste Disposal</b>	<b>-160</b>
Slippage caused by container procurement being phased in line with revised District rollout plans.	
<b>Waste Transfer Station</b>	<b>-133</b>
Slippage driven by the scheme being reprofiled into 2026/27 following delays in progressing delivery activity.	
<b>Waste Services - General Improvements</b>	<b>-124</b>
Planned activity rephased into 2026/27 following a review of the delivery profile.	
<b>Other variances</b>	<b>-37</b>
<b>TOTAL</b>	<b>-20,511</b>

### Corporate Resources

Slippage of £1.1m and an underspend of £0.2m is forecast compared with the updated budget. The main variances are:

	<b>£000</b>
<b>Climate Change - Environmental Improvements</b>	<b>-604</b>
Slippage on EV car charge points (£230k) due to waiting until car park work is complete at some sites. Public Sector Decarbonisation Scheme (PSDS) (£298k) slippage due to delays with Legal services contract review (expected in Feb 2026) pushing the procurement into 26/27. Rooftop solar PV slippage due delays with finalising procurement route (£75k).	
<b>Beaumanor Hall - Roof Repairs</b>	<b>-500</b>
Works to repair and reinstall the chimneys, gables and roof ridges to Beaumanor Hall are expected to cost £0.5m over the next 12 months. Historic England have confirmed there are no funding opportunities available to support these costs, which will need to be funded by the Council, from earmarked reserves, subject to approval.	
<b>Romulus court refurbishment</b>	<b>-196</b>
Underspend as the costs for works on Romulus Court were less than anticipated.	
<b>Other variances</b>	<b>6</b>
<b>TOTAL</b>	<b>-1,294</b>

### Corporate Programme

Net slippage of £0.7m is forecast compared with the updated budget. The main variances are:

<b>Lutterworth East - SDA (Planning and Preparatory works)</b>	<b>-300</b>
Slippage due to delays with the procurement and construction programme process.	
<b>M69 J2 Strategic Dev Site</b>	<b>-210</b>
Slippage due to delays with the emerging Blaby Local Plan and the need to reschedule the project programme to avoid the need to repeat technical surveys.	

<b>Capital Programme Portfolio Risk</b>	<b>-200</b>
Currently not forecast to be required in 25/26.	
<b>TOTAL</b>	<b>-710</b>

<b><u>Capital Programme - Changes in Funding</u></b>	
	<b>£000</b>
<u>Adults &amp; Communities</u>	
Disabled Facilities Grant - additional allocation	388
Coalville library works	145
<u>Children &amp; Family Services</u>	
Provision of School Places programme - section 106 Contributions	342
<u>Environment and Transport</u>	
Section 106 developer contributions	569
Flood Grant - Environment Agency	60
Capital Financing Reserve	174
Capital Financing Reserve - TAM capital works instead of revenue	3,855
<u>Corporate Resources</u>	
Tree Nursery	-37
Beaumanor Hall - funded from revenue reserve	500
<u>Corporate Programme</u>	
Capital Financing Reserve	-200
<b>Overall Total</b>	<b>5,796</b>

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**Investing in Leicestershire Programme – 2025/26 Q3 Update**

Asset Class	Opening Capital Value <sup>1</sup>	Capital Incurred (returned) 2025/26	Change in valuation	Capital valuation <sup>2</sup>	Net income YTD	Budget Net Income FY	Forecast Net Income FY	Variance to Budget	In year forecast net income return % <sup>3</sup>	Since Inception IRR <sup>4</sup>
	£000	£000	£000	£000	£000	£000		£000	%	%
<b>Direct Commercial Holdings</b>										
Development	42,133	0	0	42,133	-163	-178	-178	0	-0.4%	
Rural	95,888	0	0	95,888	-92	201	201	0	0.2%	
Offices inc County Hall <sup>5</sup>	63,073	0	0	63,073	2,182	4,126	3,791	-335	6.0%	
Industrial	26,002	0	0	26,002	1,261	1,819	1,819	0	7.0%	
Other	4,727	0	-625	4,102	177	245	245	0	5.6%	
<b>Direct Holdings</b>	<b>231,823</b>	<b>0</b>	<b>-625</b>	<b>231,198</b>	<b>3,365</b>	<b>6,213</b>	<b>5,878</b>	<b>-335</b>	<b>2.5%</b>	
<b>Diversifier Holdings</b>										
Private Debt MAC 4 2017	2,269	-1,666	-600	3	52				n/a	4.6%
Private Debt MAC 6 2021	13,281	-2,579	87	10,789	387				n/a	6.5%
Private Debt MAC 7 2023	7,479	1,713	542	9,734	0				n/a	9.2%
<b>Private Debt - Total</b>	<b>23,029</b>	<b>-2,532</b>	<b>30</b>	<b>20,527</b>	<b>439</b>	<b>816</b>	<b>716</b>	<b>-100</b>	<b>3.3%</b>	<b>5.6%</b>
Pooled Property	16,091	-8,201	-12	7,878	288	422	372	-50	3.1%	2.4%
Pooled Infrastructure Fund	8,742	0	242	8,984	368	293	463	170	5.2%	6.6%
Pooled Bank Risk Share	12,651	7,280	100	20,031	1,274	895	1,400	505	8.6%	14.0%
<b>Central adjustments</b>					97	0	-189	-189		
<b>TOTAL (All liLP)</b>	<b>292,335</b>	<b>-3,452</b>	<b>-265</b>	<b>288,618</b>	<b>5,832</b>	<b>8,639</b>	<b>8,639</b>	<b>0</b>	<b>3.0%</b>	
<b>TOTAL exc development and rural</b>	<b>154,314</b>	<b>-3,452</b>	<b>-265</b>	<b>150,597</b>	<b>6,087</b>	<b>8,616</b>	<b>8,617</b>	<b>0</b>	<b>5.7%</b>	

1. Opening valuations based on market valuations not historic cost adjusted for any in year disposals
2. Direct property is valued annually at year end. Q3 used for the diversifiers
3. Forecast net income return % is based on the opening capital value and in year net capital and valuation change
4. IRRs for diversifier investments, private debt and pooled property are the combination of all underlying investments in the relevant asset class.
5. Capital Value for County Hall relates to rented areas only.