

**OVERVIEW AND SCRUTINY COMMITTEE – 28TH JANUARY 2026****DRAFT REVISED INVESTING IN LEICESTERSHIRE PROGRAMME
PORTFOLIO MANAGEMENT STRATEGY 2026 TO 2030****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****PART A****Purpose of the Report**

1. The purpose of this report is to seek the Commission's views on the draft revised Investing in Leicestershire Programme Portfolio Management Strategy for 2026 to 2030 (attached as Appendix A to this report) which sets out the proposed approach to future asset management and investment.

Policy Framework and Previous Decisions

2. The creation of the Corporate Asset Investment Fund (CAIF) was included in the Medium-Term Financial Strategy 2014/15-2017/18 (MTFS), which was approved by the County Council in February 2014. The Fund was reviewed in 2022 and now forms the Investing in Leicestershire Programme (IILP).
3. In May 2014 the Cabinet established the Corporate Asset Investment Fund Advisory Board., which became the Investing in Leicestershire Programme Board in 2023. The Board considers the ongoing strategic management, development and performance of the portfolio and the merits of any investment opportunities presented by the Director of Corporate Resources.
4. The current IILP Portfolio Management Strategy was approved by the full Council in February 2025 and is reviewed annually as part of the MTFS 2025-29.
5. The Strategic Plan 2022-26, approved by County Council on 18th May 2022 sets out five key strategic outcomes- Clean and Green, Great Communities, Improved Opportunities, Strong Economy, Transport and Infrastructure, Safe and Well. The IILP Strategy will seek to make a positive contribution to the delivery of these objectives through measures including improving the energy efficiency of buildings, maximising opportunities to decarbonise the estate, facilitating the delivery of affordable and quality homes and building a strong economy, generating economic growth.

Background

6. The Council has owned and managed investment properties in the form of the existing Industrial and County Farms estate for many years. These properties

are held for the purposes of supporting the delivery of various economic development objectives and to generate revenue and capital returns to the Council.

7. The creation of the CAIF (now IILP) and associated Board in 2014 was aimed at increasing the Council's property portfolio and ensuring investment in a more diverse range of properties, to continue to support economic development and generally increasing the quality and sustainability of the land owned by the Council and the income this generated.
8. The first formal Investment Strategy was adopted in 2017. Since that time, it has been reviewed annually; latterly as the IILP Strategy and developed to ensure that in addition to maximising financial benefits the portfolio contributes to achieving the County Council's wider strategic goals, being aligned with the Strategic Plans of 2018 and 2022 thereby broadening the purpose of the Programme.
9. The last major strategic review took place in 2023 when, in addition to aligning this with the Strategic Plan, the Strategy was amended to ensure compliance with the CIPFA Prudential Code and HM Treasury guidance introduced in 2022. This required that the portfolio be focused on the delivery of outcomes that addressed areas of economic and social market failure in addition to delivering the financial benefits necessary to support service provision.

The Strategy for 2026-30

10. The key priorities of the Strategy 2026-30 are to further ensure its alignment with the Council's Strategic Plan 2022 – 26 and maintain compliance with Government guidance in relation to future investments.
11. To maintain access to any potential prudential borrowing over the period of the MTFS it is necessary to ensure that any new investments are compliant with the Prudential Code and HM Treasury guidance. The key requirement is that an authority must not borrow if they are also investing primarily for financial return.
12. As such investments may only be made where they are directly and primarily related to the functions of the Authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. This includes service delivery, housing, and regeneration of areas, that addresses areas of economic or social market failure and should only be made within the Council's area of economic influence. Investments should not be made primarily for yield.
13. The Prudential Code does not require authorities to sell existing, primarily for return investment assets, that were acquired (or committed to) prior to November 2020. However, where a Council has an expected need to borrow (internally or externally), as does the County Council for the wider capital programme, the Code requires an annual review of options to exit investments held primarily for return. The reviews should evaluate the benefit of holding such assets with taking out new borrowing and any risk reduction benefits. This will be formally

undertaken annually from 2026/27. The portfolio naturally contains liquidity from financial investments which have limited life and therefore return capital invested on a regular basis. The Prudential Code allows continued investment in such assets to maximise their value, including repair, renewal and updating of the properties. All new IILP investments will be assessed to ensure compliance with the Prudential Code and HM Treasury guidance.

14. As part of the prudent management of the Council's finances investments will need to continue to be well managed and deliver a financial return commensurate with the level of risk. This is applicable even where the primary purpose is delivery of wider County Council policy objectives.
15. Accordingly, having regard to the above the proposed aims of the IILP Strategy 2026 – 30 continue to ensure investments funded or held in the Programme:
 - Support the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, Economic Growth Plan and the County-wide Local Industrial Strategy.
 - Support growth in the County and its economic area of influence and ensure there is a more diverse range of properties and land assets available to meet the aims of economic development.
 - Maximise sustainable returns on Council owned property assets.
 - Supports the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
 - Maintain a diverse portfolio of energy efficient and sustainable direct property and other investment assets which support economic growth and environmental sustainability
 - Support the Council's strategic objectives by working with partners to maintain momentum in the development of strategic sites and renewing existing employment sites and premises where there is demand thereby addressing areas of market failure.
 - Manage the Portfolio sustainably having regard to the emerging Climate Resilience Delivery Plan outcomes.
 - Channels new investment into schemes that:
 - Maximise the potential to address economic and social market failure.
 - Improve property assets for a direct strategic/policy purpose.
 - Enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery.
 - Manage investment risk by investing in diverse sectors.
 - Support the Council in maximising the benefit from its financial assets in a

risk aware way (not including standard treasury management activity).

16. A copy of the full revised draft IILP Strategy is appended to this report.
17. The Strategy continues to seek to minimise risk principally by ensuring robust governance arrangements are in place and that investment decisions are only made in light of appropriate financial, commercial and legal advice and in line with relevant statutory guidance and best practice. However, property investment and development will always have an element of risk much of which is outside the control of the Council as it relates to the strength of the wider economy.
18. The Strategy sets out procedures to ensure risks associated with investments are monitored, assessed and mitigated and the Board will continue to play a vital role in this respect.
19. External reviews of the portfolio's performance and strategy are undertaken at three yearly intervals. The most recent review was undertaken by Hymans Robertson in January 2024 which made recommendations as to future investments going forward to ensure financial resilience by maintaining a balanced diverse portfolio of assets.
20. Based on the make-up of the portfolio at the time of the review the current portfolio mix of direct property and diversifiers was considered appropriate and struck a reasonable balance between the positive economic, social and environmental impacts generated in the direct portfolio and the downside protection provided by the diversifier's portfolio.
21. Given the volume of new investments to be made, it was anticipated, and remains the case, that the direct portfolio will see only modest growth. It was therefore recommended that the Council explores opportunities to dispose of certain existing assets and recycle the capital into new developments. This will enable the Programme to maintain a high level of positive impact in the local community, as well as providing the opportunity to implement some of the portfolio refinements proposed below.
22. Given the financial pressures facing the Council, included within the MTFS is reference to a 'Saving under Development' relating to the liLP. Suggesting that further opportunities should be explored within the programme to optimise returns through strategic asset management and diversification. The Council's Efficiency Review is also likely to include a review of the assets held under the liLP portfolio.
23. Members will continue to receive regular MTFS monitoring reports which will include information on the operation of the IILP, as well as an annual report on investment activity undertaken during each financial year which will provide an update on ongoing projects.

Resource Implications

24. The Council continues to operate in an extremely challenging financial environment. The draft MTFS 2026-30 (the subject of a separate report on the agenda for this meeting) sets out the future challenges and the need for further savings of £199m to be made by 2029/30, of which £106m is unidentified. In light of inflation and other emerging pressures the funding gap has the potential to grow.
25. The draft MTFS 2026-30 identifies net funding of £43m to grow the IILP to its target level of £260m. Based on the IILPs current expected income returns the total funding would generate a c£10m net income per annum to the County Council.
26. The delivery of the property related aspects of the strategy is dependent upon retaining experienced and skilled staff as well as recruiting to vacant posts within the service. The recruitment process is underway, but the market is very competitive, and the Council may need to re-consider its strategy and approach if the resource is not in place to deliver it.

Conclusion

27. The Investing in Leicestershire Programme Portfolio Management Strategy is aimed at maintaining a long term and relatively stable source of income from existing investments to offset the funding gap in the MTFS, with future management and investment during the period 2026 – 2030 being focused on delivering the Council's wider strategic objectives and addressing areas of economic and social market failure.

Equality Implications

28. There are no equality implications directly arising from this report.

Human Rights Implications

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

Environmental Implications

30. Where possible, the environmental impact of the Fund's developments will be as low as possible and be low carbon and energy efficient.
31. Where possible, and where there is no adverse financial impact, when disposing of land for development, the sale terms will require the purchaser to develop in a sustainable and low carbon way.

Circulation under the Local Issues Alert Procedure

None.

Background Papers

Report to Council, 18 May 2022 – Leicestershire County Council's Strategic Plan 2022 – 2026 -

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

Officers to Contact

Declan Keegan, Director of Corporate Resources
Corporate Resources Department
Tel: 0116 305 7668
Email: declan.keegan@leics.gov.uk

Karen Frearson, Head of Strategic Property Services
Corporate Resources Department
Tel: 0116 305 2704
Email: Karen.Frearson@leics.gov.uk

Appendix

Draft revised Investing in Leicestershire Programme Portfolio Management Strategy
2026 - 2030