

Investing in Leicestershire Programme

STRATEGY

2026-2030



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INTRODUCTION

- 1.1 Leicestershire County Council (the Council) owns and manages a portfolio of properties and other investments, with the aim of generating income to support front line services whilst also contributing to the wider strategic objectives of the Council and the economic wellbeing of the area. This portfolio (the Portfolio) is known as the Investing in Leicestershire Programme (IiLP).
- 1.2 The strategy for 2026 to 2030 is aimed at supporting the further development and ongoing management of the Portfolio, to further enhance its contribution to the delivery of the Council's strategic goals and financial resilience, as demand on services and operating costs continue to rise.
- 1.3 The strategy sets out the legal context and governance framework, under which the Council can undertake investments which are expected to contribute directly and indirectly to the strategic plan and address areas of specific economic or social market failure, health and wellbeing and environmental priorities.
- 1.4 Whilst a key priority is to continue to deliver positive outcomes for the Council from its investments, the Strategy sets out processes to ensure this is done in a transparent and safe and secure way, allowing for adequate liquidity should the Council ever need to call upon the capital invested and that risks are properly identified and managed whilst performance is monitored continuously.
- 1.5 The Strategy for 2026-30 includes reference to indirect and non-property investments also known as diversifying investments. This diversification is an important component in financial risk management.
- 1.6 The Strategy is an integral part of the Council's Medium-Term Financial Strategy (MTFS) and intrinsically linked with the Corporate Asset Management Plan (CAMP) and the Treasury Management Strategy and Annual Investment Strategy and it should be read in conjunction with these documents.
- 1.7 The Council is committed to ensuring the Portfolio provides effective and efficient assets which enhance the environment and biodiversity in the county where possible and improves the lives of communities in the county whilst generating secure, long term, income streams that allows the existing investments to assist the Council in delivery of its front-line services.



STRATEGIC OBJECTIVES

2.1 The aims of this Strategy have been aligned with the five Strategic Outcomes set out in the Council's Strategic Plan (below) which will play a key role, alongside the Medium-Term Financial Strategy, in shaping the Council's investment activities over the next four years.

Strategic outcomes



Clean and Green

- People act now to tackle climate change
- Nature and the local environment are valued, protected and enhanced
- Resources are used in an environmentally sustainable way
- The economy and infrastructure are low carbon and environmentally friendly



Great Communities

- Diversity is celebrated and people feel welcome and included
- People participate in service design and delivery
- Communities are prepared for and resilient to emergencies
- Cultural and historical heritage are enjoyed and conserved
- People support each other through volunteering



Safe and Well

- People are safe in their daily lives
- People enjoy long lives in good health
- People at the most risk are protected from harm
- Carers and people with care needs are supported to live active, independent, and fulfilling lives



Improved Opportunities

- Every child gets the best start in life
- Every child has access to good quality education
- Families are self-sufficient and enabled to be resilient
- Everyone is able to aim high and reach their full potential



Strong Economy, Transport and Infrastructure

- There is close alignment between skill supply and demand
- Leicestershire has the infrastructure for sustainable growth
- Leicestershire is an attractive place where businesses flourish
- Economic growth delivers increased prosperity for all
- Leicestershire has the right homes in the right places to meet need

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

- Support the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan and the County-wide Local Industrial Strategy.
- Support growth in the county and its economic area of influence and ensure there is a more diverse range of properties and land assets available to meet the aims of economic development.
- Maximise 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.
- Contribute towards the development and implementation of the Council's emerging Climate Resilience Delivery Plan by reducing demand for energy and delivering projects that provide additional social, economic and environmental benefits in support of the Council's strategic outcomes.
- Channelling new investment into schemes that:
 - Maximise the potential to address economic and social market failure.
 - Improve property assets for a direct strategic/policy purpose.
 - Enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery.
 - Manage investment risk by investing in diverse sectors and asset classes.
 - Support the Council in maximizing the benefit from its financial assets in a risk aware way (not including standard treasury management activity).¹

1. Treasury Management activity with banks, local authorities and the capital market are not in the scope of this Strategy, such activities being undertaken in accordance with the Treasury Management Strategy and Investment Strategy agreed annually by the County Council.



LEGAL CONTEXT

- 3.1 Section 12 of the Local Government Act 2003 (the 2003 Act) provides a general power to invest:
- “(a) for any purpose relevant to its functions under any enactment or
(b) for the purposes of the prudent management of its financial affairs”*
- 3.2 The power contained in Section 12 (a) cannot be used for investing purely to create a return as this is not considered to be a purpose relevant to the Council’s functions whereas the power in Section 12 (b) may be used for investing to create a return as it may be prudent when used with other measures to manage the Council’s financial affairs.
- 3.3 Section 120 of the Local Government Act 1972 (the 1972 Act) provides the power for the acquisition of land by agreement (whether inside or outside the authority’s area) for the purpose of:
- “Any of their functions under this or any other enactment, or the benefit, improvement or development of their area”*
- 3.4 Acquisition can take place notwithstanding that the land is not immediately required for that purpose.
- 3.5 Further power is conferred upon an authority by the Localism Act 2011 (the 2011 Act). Section 1 of this Act introduced a new General Power of Competence which gave local authorities the power to conduct business transactions in a manner identical to private individuals acting within the law. This Act is widely drawn and includes reference to commercial activities which do not necessarily have to benefit the local authority’s area. However, this power is subject to a requirement that any actions being carried out for a “commercial purpose” must be done “through a company”, (i.e., a company within the meaning of s.1 (1) Companies Act 2006).
- 3.6 The approach of the County Council to date has been to rely on the powers set out in the 2003 Act. At present, this has not required the setting up of a company for its property and non-property investment activities. However, it could be necessary in the future, if the Council wishes to expand and diversify the scope of its investments. Such arrangements are not detailed in this Strategy at this stage.
- 3.7 The Strategy should be read in conjunction with the Capital Strategy, Treasury Management Strategy, the CIPFA Prudential Code and Annual Investment Strategy and taken together take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.



STRATEGY 2026 TO 2030

- 4.1 This Strategy is a high-level summary of the Council's approach to existing and new investments. It sets out the criteria and the processes and practices that will be considered and followed when carrying out such activities.
- 4.2 The Strategy developed for 2026 to 2030 has been aligned with the Council's MTFS timetable and reflects the aspiration of the current Capital Programme to invest in assets that will secure a long-term economic and social benefit. It is designed to provide a framework that is flexible enough for the Council to participate in the property market whilst ensuring governance processes are in place, full assessments are made, and risks are minimised.

Purpose of the Portfolio

- 4.3 In respect of the Direct Property Portfolio the primary purpose of the Strategy will be to continue to facilitate:
 - 4.3.1 The development of new or existing assets to meet Council service needs where this will reduce operating costs or, for example, meet local housing needs, thereby securing benefits for the Council.
 - 4.3.2 The continued acquisition of parcels of land for development and standalone direct property investments that contribute to the attainment of policy goals or address areas of economic or social market failure.
 - 4.3.3 Make better use of underperforming investment assets already owned by the Council by considering their redevelopment or selective disposal (where appropriate) and ensuring they meet the needs of local businesses, current market expectations and address areas of market failure.
 - 4.3.4 Maintaining progress in the restructuring and rebalancing of the property portfolio.
- 4.4 The Portfolio will also utilise Treasury Management investments "Diversifiers" to provide balance to the overall portfolio, subject to any associated risks being monitored and managed. This is likely to include investments in different sectors, assets classes and geographies. These will be limited to investments that are allowable within statutory guidance and CIPFA codes to avoid any unintended consequences for the Council's wider capital financing activities.
- 4.5 The Portfolio will be reviewed, and performance of individual investments assessed on a regular basis. Where performance of an investment cannot be improved to an acceptable level, assets will be considered for disposal. The sale proceeds from such disposals will either be reinvested or used to reduce borrowing in accordance with Government guidance.
- 4.6 Alternative investments options are also kept under review (both direct and diversifiers), subject to meeting the investment criteria set out in this strategy.



Development of the Portfolio

- 4.7 The capital invested in the Portfolio as of 31 March 2025 was £205m (based on historic cost). The latest valuation of the portfolio, as of 1st April 2025, which includes capital growth in the valuation of the assets held, is £278m. The Portfolio achieved a net revenue income of £8.6m for 2024/25, a net income return of 3.0% and 5.4% when excluding development and rural sectors.
- 4.8 An overall target return for the Portfolio's existing portfolio is 7% pa over the medium term, reflecting the related risk, made up of a combination of capital growth and revenue income. The portfolio is expected to generate around £9m net income in 2026/27 excluding capital growth.
- 4.9 Decisions on how the investment programme is funded will be defined by the Council's Treasury Management and Capital Strategies and considered as part of the MTFS.
- 4.10 A total of £43m has been included in the draft 2026-30 capital programme. Including spend programmed in 2025/26 together this will bring the total held to £260m (based on historic cost). The above forecasts reflecting the need to maintain the balance between direct property investments and diversifiers in line with the Hymans review recommendations. A satisfactory business case appraisal which includes external due diligence will be required before each purchase or investment.
- 4.11 The County Council has not and does not intend to borrow to fund the investments within the Portfolio's development programme. The proposed investment included within the MTFS 2026-30 is entirely funded from revenue reserves. Decisions on the availability and proportionality of funding to fund the Capital Programme, are made through the Capital Strategy are reviewed annually as part of the MTFS, and the Treasury Management Strategy Statement and Annual Investment Strategy. These documents take into account the statutory guidance issued by the Secretary of State under the Local Government Act 2003.
- 4.12 The generation of capital receipts is a priority for the County Council. The draft capital programme includes an estimate of £16m across the four years to 2029/30. The estimate includes potential land sales that are subject to planning permission. In these cases, the value of the site is significantly increased when planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays.



Property Portfolio Management

- 4.13 As the property portfolio nears its target level of investment its ongoing management needs to be both focused and proactive; to ensure that opportunities to enhance the financial, economic development and community benefits are maximised.
- 4.14 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.
- 4.15 The Council's Efficiency Review is also likely to include a review of the assets held under the liLP portfolio.
- 4.16 The plan is therefore to review the overall portfolio in 2026 and develop a detailed 'Portfolio Management' plan for the existing property portfolio and priorities for future investment. The review process will be supported by accurate management information and benchmarked data and evaluated against robust performance targets.
- 4.17 The review and plan will include the office, industrial and alternative property sectors. The rural sector will be reviewed in line with the Rural Strategy, but incorporated into the overall Portfolio Management Plan.
- 4.18 The liLP programme board will receive quarterly updates as the reviews are undertaken.
- 4.19 The whole portfolio is subject to an external review every three years, the last being undertaken in January 2024. The outcomes and recommendations from the external review will be incorporated into the plan when the strategy is reviewed again in 2027.
- 4.20 The Council will continually keep under review its vacant and underutilised land and property holdings. Based on a robust decision making process it will make choices as to developing or disposing of such property.
- 4.21 Where land is suitable for development the Council will promote support for such development in District and Borough Local Plans. Recent examples of this proactive approach include emerging developments for employment use at Airfield Business Park phase 2, Market Harborough, and Leaders Farm Lutterworth. This is in addition to the promotion of land belonging to the Council and adjoining landowner partners, to provide up to 8,000 much needed homes at 2 sites at Lutterworth East and J2 M69 Stoney Stanton.
- 4.22 Where the Council is of the view that the benefit of development is better realised by more technically qualified or specialist developers, or where the Council believes that it would be prudent to share risk, then it will dispose or enter into partnership agreements.



INVESTMENT CRITERIA

5.1 When investing the Council's financial resources action will be taken to ensure:

- That principal sums invested are safeguarded as far as possible.
- That they provide adequate liquidity.
- That investment returns (or yield) are considered and balanced against potential risk factors.

5.2 Once liquidity (the ability to ensure, as far as is practicable, that should the Council wish to divest itself of an asset, it can do so without incurring any material loss) has been confirmed, the following criteria will be considered as appropriate when assessing a potential investment (including developments):

- Security of the principal capital to be invested (both for land acquisitions and development/construction proposals).
- The ability of the investment to make a positive contribution to attainment of strategic objectives or addressing areas of market failure.
- The financial return is commensurate with the risk being taken, under a range of economic scenarios.
- Any legal issues (restrictive covenants etc.) regarding the title of the land/property.
- Risk of securing planning permission, including conditions.
- Any potential liabilities (such as land contamination/asbestos).
- Sustainability (the energy performance of any existing property and its use).
- Full cost of the acquisition (land value, fees, end of life costs etc.).
- Fit with the current portfolio.
- Exit strategy.

In addition, any property investment opportunities will also be considered with regard to:

- **Economic benefit:** The number of jobs and business opportunities created/ supported and the ability of the asset to address market failure are the key elements of a potential investment together with the level of gross value added to the economy
- **Development potential income:** The total income assuming the site is fully developed (with cash flow timescales) and the restrictions on use of the funds e.g., requirement to be recycled into further such schemes/investments.
- **Tenant:** The financial standing and viability of any existing (or potential) tenants' covenants is to be considered.



- **Location:** Whilst all new investments will be made within the County or its area of economic influence more weighting is given to acquiring assets or land/or the development of property assets in areas of the county requiring regeneration in order to maximise benefits by stimulating the local economy through sustainable financial and economic growth, over the lifetime of the investment.
- **Sector:** The strength of the investment or development sector should be considered in relation to its location, rather than in isolation.
- **Building:** The age and construction of any existing buildings should be considered in the decision-making process, including its energy efficiency. The potential for future structural repairs, retrofits and refurbishment expenses for both the County Council and the occupiers should be limited as much as possible. Property let on a term which exceeds the economic life expectancy of the buildings should not be purchased.

5.3 Once an asset/investment opportunity has been identified, it should be considered as objectively as possible to ensure that the overall aims of the Strategy are achieved in a co-ordinated and measured way. The financial appraisal of opportunities is conducted in a consistent manner using financial metrics such as net present values and internal rates of return. Risk is considered by adjusting key assumptions to produce financial metrics under a range of possible scenarios.

5.4 The adequacy of the estimated benefits will be judged against the certainty of the anticipated outcomes materialising.



ENVIRONMENTAL, SOCIAL GOVERNANCE (ESG)

- 6.1 In 2018 the County Council adopted a new environment strategy ('Environment Strategy 2018 - 2030 – delivering a better future') which contains the following commitment:

"The UK Government's recent Clean Growth Strategy underlines the role that local government has in delivering and supporting our evolution to a low carbon society as we respond to these national and international commitments. The urgent need for concerted international action on climate change has been recognised by over 170 countries globally.

- 6.2 To align with the council's wider ambitions the Fund will aim to ensure that its developments will be built in as sustainable a manner as possible with the aim of minimising emissions in the construction phase and as energy efficient to occupy and operate as possible (including the use, where viable, of on-site renewable energy sources).
- 6.3 The Portfolio will be managed sustainably having regard to the emerging Climate Delivery Resilience Plan with the following aims:
- a Identify sustainability targets within the Management Plan for each sector with a view to achieving environmental improvements within the corporately agreed timescales.
 - b In respect of direct property sectors the aim will be to encourage tenants to contribute to achieving environmental improvements in the following way.
 - **Commercial property** - retrofit and energy efficiency, renewable energy generation, links to MEES regulations.
 - **Rural** - transition plans for farms.
 - **Developments** - supply chain engagement, materials guide, environmental impact of construction.
 - c Implement a Sustainability checklist as part of the strategy together with appropriate KPIs monitoring and reporting.
- 6.4 Furthermore, the developments will achieve net biodiversity gain at least equal to the statutory 10% requirement and push waste up the Waste Hierarchy by adopting a reduce, reuse, recycle approach to the management of waste particularly during the construction phase.



- 6.5 The wider public health agenda issues such as obesity, mental health, general health and wellbeing will also form part of the decision-making criteria as to what makes good development design and layout. When deciding how and where to invest, the County Council is cognisant of the economic, social and environment considerations and will seek to ensure that any development it is involved with is a sustainable development.
- 6.6 The County Council will ensure that the relevant environmental, social, and governance (ESG) standards are met when seeking to screen potential investments.
- Environmental criteria will be used to consider how the County Council performs in its responsible use and protection of the natural environment through conservation and sustainable practices to enhance ecosystem resilience and human well-being.
 - Social criteria will examine how it manages relationships within the communities around the county where the County Council owns assets.
- 6.7 Governance criteria will ensure that the controls and processes for the Fund are appropriate and followed.



FINANCIAL RETURNS

Yield

- 7.1 Whilst it is intended that future investments should be judged primarily based on the County Council's wider policy objectives; it is important to ensure that the financial performance of the assets held is acceptable.
- 7.2 The level of yield required balances security and liquidity.
- 7.3 The yield will reflect the various risks involved in the investment. By and large, the higher the level of uncertainty (e.g., a tenant with a poor credit rating) the higher the required yield would need to be.
- 7.4 The medium-term target rate of return for investments is 7% pa. There will be costs incurred in managing the Portfolio and costs associated with abortive work (feasibility studies, consultant work/staff time, unsuccessful acquisitions bids).
- 7.5 Individual lot sizes can each be considered on their merits providing they conform to the agreed overall portfolio mix.
- 7.6 Assuming that investment/development property is the only asset class of investment being considered, the overall return of a standalone investment will vary depending on the market sector, the nature of the property asset acquired and the characteristics of the tenant in the acquired property.
- 7.7 Whilst seeking to achieve the target return of 7%, the Portfolio will invest in assets that generate a return that reflects the underlying risk of the investment thereby ensuring that assets remain attractive to the market.



Internal Rate of Return

- 7.8 Whilst yield is a useful measure for assessing the merits of an investment, yield will change over the life of an investment. To give a longer-term perspective, the Internal Rate of Return (IRR) is the key metric that is used to assess the strength of an investment. The IRR is the interest rate at which the net present value of all cash flows arising from an investment is equal to zero. In calculating an estimated IRR, a number of assumptions need to be made in terms of projecting future expenditure and income streams including the future capital value of the investment holding. As a guide a minimum IRR of 7% is a high-level assessment for whether an investment is worthwhile.

Independent Review

- 7.9 It is proposed that the performance of the Portfolio and the overall Strategy should be subject to an independent review at no greater than 3-year intervals; the latest review of the Portfolio was undertaken by Hymans Robertson in January 2024.
- 7.10 The 2024 Hymans Robertson Review, as with the earlier 2020 review, considered the current economic outlook and that of the real estate investment market. Based on the make-up of the portfolio as of 31st March 2023 the review concluded that the current portfolio mix of direct property and diversifiers was 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.
- 7.11 Given the volume of new investments to be made to reach the target portfolio size and maintain the split between direct property and diversifiers, it is anticipated that the direct portfolio will see only modest new capital spend unless divestments take place. The review 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.
- 7.12 In addition, the review acknowledged that the development sector, is currently larger than would normally be anticipated. The disposal or future development of assets within the sector will correct the balance.



7.13 Further, the review in considering the future direction of investment strategy made the following recommendations which are summarised in the table below together with the target range for each individual sector:

Sector	Portfolio % 31/03/25	Hyman's Recommendation	Target Range % Portfolio
Direct Property			
Offices	22%	Maintain or Reduce allocation	15 - 20%
Industrial/Distribution	9%	Increase allocation	15 - 20%
Retail	0%	Selectively consider retail investments	2 - 5%
Rural	33%	Maintain allocation	25 - 30%
Other/Alternative	2%	Selectively increase	0 - 5%
Local infrastructure	0%	Consider as potential future investments	0 - 5%
Development	14%	Reduce over time	8 - 12%
Diversifiers			
Pooled Property	5%	Allow to fall but ideally not below 8% (pooled property funds being disposed of by the property managers are difficult to replace under current guidance)	3 - 8%
Private Debt	8%	Increase and diversify	15 - 20%
Pooled Infrastructure	3%	Maintain allocation	2 - 5%
Bank Risk Share	4%		3 - 8%
Corporate Lending and local infrastructure	0%	Consider as potential future investments	0 - 5%
Total	100%		

- a At the annual revaluation of direct property in 2023, the rural estate was revalued under revised guidance; the revised valuation being based on freehold vacant possession replacement value rather than investment value. The effect was to increase the holding value by £57.6m. The rural exposure on the total allocation within liLP has been increased and is currently marginally ahead of the target range.
- b The review did not recommend any major changes of direction. However, it did suggest that within the direct portfolio consideration be given to selected retail investments and recognises the potential for investment in local infrastructure assets. At present there are retail investments in development that will add to the portfolio, these are likely to be completed during 2026.
- c With respect to industrial investments, Hyman's advised to increase the allocation. The Airfield Farm Business Park will complete in 2026 which will when complete and let will bring the liLP closer to the target range stated.



- d In the case of diversifier investments, it was advised that the portfolio be rebalanced reducing the level of pooled property and maintaining the level of pooled infrastructure investments whilst increasing and diversifying the portfolio of private debt investments. At present, the level of pooled property has been reduced and infrastructure investments maintained.
- e The development segment will reduce as two current investments will be delivered during 2026 and bring the segment within the target range.
- f Future management and investment strategy and decisions will be influenced by the Hymans Robertson review with the above advice used to inform all future investment decisions forming an integral part of investment assessments which will continue to be supported by full business cases.



INVESTMENT ASSESSMENTS

- 8.1 This Strategy places emphasis on openness, transparency and consistency. It aims to ensure maximum benefit from the effective purchase and subsequent management of the Council's assets, but within a framework which can be adaptable to market conditions. Within this framework, the Council must act within the appropriate legal framework, in a demonstrably fair and open manner, and consider whole life costs.

Direct Property Investments

- 8.2 Each proposed direct property investment proposal (including both proposals to acquire and/or develop property) will be subject to a three-stage appraisal process as detailed below, although given the need to respond quickly to opportunities as they become available, a degree of flexibility is required and some of these stages may be combined.

STAGE 1 - Initial Assessment

- 8.3 The first phase of determining whether a direct property investment opportunity is worth proceeding with consists of a number of separate assessments:
- Fit with other Portfolio holdings
 - Fit with County Council priorities
 - Risk Profile
 - High level financials (revenue and potential for capital growth),
 - Tenancy Terms
 - Planning Overview
 - Site Inspection
 - Legal considerations and fit with statutory guidance
 - Valuation
- 8.4 Strategic Property Services in consultation with Strategic Finance will first prepare an Initial Appraisal Report (IAR) which is intended to answer the basic question – 'is the asset worth acquiring?'.
- 8.5 The IAR considers the likelihood of the proposed investment achieving the outcomes required, the size and barriers to entry of the market, plus its suitability to the Council's own ethical standards, the quantum of risk and complexity, the payback period and how much the Council knows about the proposal. Initial basic property details are also recorded at this time.
- 8.6 The answers to these key criteria will give a simple yet effective picture of the proposal and will allow an early decision to be made by the Director of Corporate Resources as to whether an investment is worth pursuing.



- 8.7 The process is managed the Strategic Property Services Team and the decisions summarised in a regular report to the Director of Corporate Resources.
- 8.8 A challenge can be raised through the Strategic Property Services Team, to the Director of Corporate Resources, but there must be no multiple consideration of the same proposal during the initial process. Once it has been deemed a failure, unless there is a fundamental error in the information provided or a paradigm shift on the proposal itself then the activity must cease.

STAGE 2 – Financial Appraisal and Business Case

- 8.9 Once the asset/site has passed the initial evaluation, a financial appraisal and business case will be prepared to establish the financial/budgetary implications of acquiring the property at the negotiated price.
- 8.10 An independent property advisory firm will also be consulted on the opportunity and their report made known to the Investing in Leicestershire Programme Board (the Board) if the proposal is progressed beyond stage two.
- 8.11 The aim of the financial appraisal is to assess how the acquisition will perform over the medium to long term. It will consider all the acquisition costs and any potential income, the associated risks and then assess whether the proposal is suitable from a financial perspective. The business case will also develop the non-financial benefits that are being sought from the acquisition. This process will be led by the Strategic Finance Service, but the Director and the Board will be kept advised as projects are assessed and negotiated.

Other Council Consultees

- 8.12 After the identification of an asset, it will be incumbent on Strategic Property Services as Portfolio Manager to establish whether there may be constraints on the development or use of the asset.
- 8.13 In some cases, it may be appropriate to seek planning permission for a form of development prior to acquiring land. Strategic Property Services will consult with planning and highways colleagues (and other departments as appropriate) together with external consultants to decide whether planning permission should be sought prior to acquisition (conditional contract).
- 8.14 As part of this consultation, advice will be sought on suitable alternative uses for the site/asset. In case the existing or proposed use becomes unviable in the future, it is useful to have an alternative use value. The relative monetary risk of the investment can be quantified using this information.
- 8.15 Contemporaneously with the planning audit, the Council's legal section will be asked to undertake title searches of the land to ensure that the title is clean and there are no abnormal issues with the land that would be detrimental from a legal perspective.
- 8.16 Any existing or proposed tenant will also be credit checked.



Valuation

- 8.17 Valuation advice will usually be provided by a professionally qualified member of the Council's Estates team. Where the advice required is particularly specialist or, if otherwise appropriate, valuation advice may be provided by another suitably qualified external surveyor.

STAGE 3 - Approval to Acquire/Develop

- 8.18 If the investment satisfies both stages one and two of the appraisal process, then on reaching agreement in principle as to the terms of acquisition, a detailed report will be prepared for consideration by the Board. Subject to the Board's support, acquisitions will then either be presented to the Cabinet for approval (necessary due to the size, complexity or risk (financial or reputational) of the proposed investment) or will be progressed by the Director of Corporate Resources under delegated powers. This report will set out how the acquisition is in accordance with agreed Council priorities and this Strategy.
- 8.19 Each business case will be approved by the Director of Corporate Resources (Section 151 officer) prior to presentation and discussion at the Board, which is chaired by the Lead Member for Resources.
- 8.20 All acquisitions shall have the necessary budgetary and relevant approvals before the acquisition is completed.
- 8.21 For clarity any decision that requires an approval of expenditure of less than £5 million can be made by the Director of Corporate Resources under the powers delegated by the Cabinet.
- 8.22 Any decision that requires an approval of expenditure of more than £5m will require Cabinet approval.

Surveys and Instructions

- 8.23 When all appropriate surveys (which must include an asbestos survey where the acquisition involves a building erected prior to 1999) have been satisfactorily completed or provided, the Council's legal services team will be instructed to complete the documentation associated with the acquisition.



Non-Direct Property “Diversifier” Investments

- 8.24 Notwithstanding that other non-direct property diversifier investments will be subject to approval as part of the Council’s overall treasury management, processes will similarly be subject to a selection and appraisal process as detailed below.

STAGE 1 – Initial Assessment

- 8.25 An initial assessment of the investment will be undertaken by the Strategic Finance Team and include the following assessments:
- Compliance with current Treasury Guidance and Capital Financing Regulations
 - Fit within the Diversifier portfolio
 - Risk Profile
 - Potential Returns and impact on the MTFS
 - Liquidity
 - Alignment with LCC objectives
 - Operational Complexity
- 8.26 In addition, as part of the assessment process a financial appraisal and business case will be prepared to establish the financial/budgetary implications of acquiring the investment at its current valuation/price; the business case to be approved by the Director of Corporate Resources.

STAGE 2 – Independent External Assessment

- 8.27 The Council’s appointed external investment advisor will also be consulted on the opportunity; their advice forming an integral part of the report to the Board if the proposal is progressed.

STAGE 3 – Approval to Acquire

- 8.28 On completing stages one and two of the appraisal process and on reaching agreement in principle as to the terms of acquisition, a detailed report, including the advice of the independent external advisor, will be prepared for consideration by the Board. Any changes to the financial appraisal as a result of external assessment or feedback from the Board will be reflected before presenting to the Director of Corporate Resources.
- 8.29 Subject to the Board’s support, acquisitions will then either be presented to the Cabinet for approval due to the size, complexity or risk (financial or reputational) of the proposed investment or will be progressed by the Director of Corporate Resources under delegated powers.
- 8.30 Where a potential investment falls outside of the Treasury Management Strategy approved by County Council the investment will be subject to the relevant process in order to progress the particular investment to final approval.



RISK

- 9.1 In respect of every investment there will be several risks that need to be assessed prior to a project being taken forward and then managed, mitigated and monitored throughout the life of an investment. The key risks faced by the County Council in respect of its investment activities are set out below.

Investment Risk

- 9.2 The main risk with any investment lies with the ability to ensure the value of the original investment is maintained and safeguarded through securing an ongoing income stream.
- 9.3 For direct property risk can be mitigated by, ensuring that leases are of sufficient length, the tenant is of good covenant and is financially secure. However, the following risks remain:
- 9.3.1 Should a tenant default, then whilst there are procedures to recover rent, this is not guaranteed and can be time consuming and costly.
 - 9.3.2 There are issues with holding void assets (periods of time when the investment is not income producing but the asset is incurring costs such as insurance, security, business rates, repairs etc.).
 - 9.3.3 The ability to attract tenants of sufficient quality/sound covenant will also be affected by the macro-economic situation and more regional/location factors.
- 9.4 Holding a diverse portfolio of investments including non-direct property diversifier investments help to mitigate these risks although there will always be a dependency on the overall economic situation.

Financing Risk

- 9.5 The Council is to ensure compliance with the Prudential Code for Capital Finance in Local Authorities and ensure liquidity and security of the principal capital and not to tie up resources into long term situations whereby short-term cash needs cannot be met or cannot be met without a significant financial penalty.
- 9.6 The returns generated by the Fund need to reflect the potential for the principal invested to reduce and for lost liquidity. For direct property, whilst seeking to achieve the target return of 7% on acquisition, a minimum total nominal return of 6.1% is sought in every investment (3.5% Green Book * 2.5% average inflation). This is reviewed (at least) annually for changes in the opportunity cost of the Council's resources (e.g., borrowing) and other factors such as inflation and returns available elsewhere.
- 9.7 Decisions relating to the financing of investment and/or development will be taken in conjunction with the Council's Treasury Management Strategy Statement and Annual Investment Strategy both approved each year as part of the Council's MTFS.



Reputational Risk

- 9.8 It is important that the reputation of the Council is protected during both times of financial restraint and otherwise in the investments that it makes.

Development Risk

- 9.9 This risk is specifically associated with developing property, and these are higher than those risks associated with acquiring an already built property investment. This is therefore reflected in the business case analysis.
- 9.10 Build cost over runs and delays during the pre and the main construction phases will directly affect the ability of the scheme to deliver its full economic benefits and (as above) the risk of not securing a tenant to pay the rent is higher when dealing with new builds.
- 9.11 This can be mitigated by not building speculatively but only with an identified need and potential occupier tenant already in place, legally secured through an Agreement to Lease. However, this may not always be the best strategy as some prospective tenants may wish to see the building in place first before entering a contract. Each of these scenarios will be judged on a merit basis as they arise.
- 9.12 Officers will continue to keep the Director of Corporate Resources updated on projects to ensure that risks are monitored, eradicated or mitigated (or, in project management risk terms, the strategies to be employed are treat, tolerate, transfer, terminate) where possible.

Managing Risks Direct Property Investment Appraisal Process

- 9.13 To minimise the risks associated with any investment being considered the Director of Corporate Resources will:
- 9.13.1 Consider the level of return required from the capital that is invested. Each proposal should review the liquidity of the proposed acquisition and a fully costed exit strategy should the asset underperform and is not capable of being improved.
 - 9.13.2 Undertake a cost/benefit analysis to fully understand the likely returns, identify any hidden costs and include key metrics such expected yield, internal rate of return and payback period.
 - 9.13.3 Undertake a market analysis to ascertain the likelihood of the investment being required for and successfully delivering the desired economic and social outcomes across a full range of indicators.



- 9.13.4 Consider the use of external expertise where required to enhance the internal knowledge/ skills of officers and provide a greater level of assurance on the risks and mitigations involved, with the quality of the advice measured through the performance of each individual proposal against the benchmark/ target rate as set in the original business case and reported through to the Board regularly.
- 9.13.5 Produce a risk register for each property investment opportunity and update this annually. As each risk is analysed, a score which is a factor of probability and impact will be calculated (as per chart below) to ascertain the need for prioritising any actions to either tolerate, treat, terminate or transfer each highlighted risk.

		Impact (Negative)			
		Minor	Moderate	Major	Critical
		1	2	3	4
Probability	4 Almost Certain	Medium (4)	High (8)	Very High (12)	Very High (16)
	3 Likely	Medium (3)	High (6)	High (9)	Very High (12)
	2 Possible	Low (2)	Medium (4)	High (6)	High (8)
	1 Unlikely	Low (1)	Low (2)	Medium (3)	Medium (4)

- 9.14 The property investments will be considered as part of a diverse asset portfolio, to mitigate the risk associated with any single investment proposal. This diversification will include selecting a range of proposals with mixed payback, investment levels, returns, geographical locations and investment liquidity.

Fraud and Corruption

- 9.15 The Director of Corporate Resources will ensure that risks of loss through fraud, error, corruption or other such eventualities in its investment dealings are mitigated as far as is practicable and that these systems and procedures in place to tackle this are robust.
- 9.16 The Director and officers are alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, procedures for verifying and recording the identity of counterparties (e.g., tenants) will be maintained, as will arrangements for Reporting any suspicious activity, and ensuring that all members of staff involved in such dealings are properly trained.

- 9.17 Items that will be regularly reviewed as part of every transaction will include:
 - 9.17.1 Powers to own property investments
 - 9.17.2 Money laundering risks
 - 9.17.3 Property fraud risks
 - 9.17.4 Changes to property legislation
 - 9.17.5 Appropriate third-party checks before transacting
 - 9.17.6 Due diligence in transactions
 - 9.17.7 Keeping abreast of impact of legislative changes
 - 9.17.8 Regular inspections of the assets
- 9.18 Full records of the purchase process will be kept in a separate file relating to the property and these records shall include details as to the valuation relied on in making the decision to acquire, the financial appraisal together with consents, approvals and papers recording the decisions taken under delegated powers. Such documents will form part of the public record.

Member and Officer Oversight

- 9.19 The Council will continue to ensure the prudent management of its investments and for giving priority firstly to the security of the capital.
- 9.20 The Council will continue to ensure that procedures for monitoring, assessing and mitigating the risk of loss of invested sums are robust. The Board, acting in accordance with the Terms of Reference approved by Council as part of the MTFS 2023 -27 will play a vital role in assessing investment proposals and thereafter monitoring projects and overall performance of the Portfolio.
- 9.21 Financial performance is monitored by officers and members on a regular basis. The Cabinet and the Scrutiny Commission will receive regular MTFS monitoring reports which include information on the operation of the Fund. These bodies also receive an annual report on investment activity undertaken during each financial year which also provides an update on ongoing projects.
- 9.22 Officers have continuous oversight of matters relating to property assets held for both service delivery and investment purposes. These are monitored through the Asset Management Property Group and the Corporate Property Steering Group chaired by the Director of Corporate Resources.
- 9.23 Effective management and control of risk are prime objectives in the management of the Fund. Any risk identified will form part of the managing departments Risk Register Which will be managed and mitigated and reassessed regularly in accordance with the Council's usual practice. Where appropriate, any significant risks will be captured on the Council's Corporate Risk Register which is overseen and monitored by the Council's Corporate Governance Committee.



RISK SUMMARY

- 10.1 The Portfolio is to acquire property/infrastructure investments (where investing creates the ability to address market failure or support another County Council objective), development sites (where the Portfolio will be involved in developing infrastructure, finding tenants and building schemes out with the same purpose in mind) and other property/strategic land (where there is an expectation of a future improvement and capital growth).
- 10.2 Indirect investments (diversifiers) will be held for diversification purposes, this is currently pooled property, infrastructure, bank share and debt funds. The Portfolio is unlikely to acquire surplus operational property (that is being disposed of) where it has no potential to deliver future strategic outcomes.
- 10.3 The Council must consider its ability to divest; including the length of time and the ease and cost with which said investments can be returned in their entirety.
- 10.4 It is important for the Council to consider the key requirement of the Prudential Code which requires authorities not to tie up resources into long term situations whereby short-term cash needs cannot be met or cannot be met without a significant financial penalty. There must be a clear understanding and forecast of short-term cash needs which will need to be fully provided for by the Council before it considers longer term capital tie in.
- 10.5 This portfolio view, as well as individual asset classes, will be regularly reported to the Board, the Cabinet and the Scrutiny Commission.
- 10.6 Each individual proposal will have an exit strategy clearly articulated in the original business case which will provide an indicative timeline for the repayment of capital/ returning of funds once the decision has been made to divest, subject to market conditions.



PERFORMANCE MONITORING/ BENCHMARKING

11.1 CIPFA guidance states that: -

“Performance measurement is a process designed to calculate the effectiveness of a portfolios or managers investment returns or borrowing costs, and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.”

11.2 It is clearly important to monitor performance to ensure that any judgements being made are the right ones.

11.3 The Portfolio is subject to regular revaluations – with a regular review of investment methods as well as the delivery models. This will also include a regular assessment of the credit worthiness etc. of its tenants.

11.4 It is the Council’s aim to achieve stable long-term value for money from its investment activities. This will be through support to the County Council’s priorities whilst safeguarding the value and integrity of the initial investment and delivering financial returns commensurate with the level of risk undertaken.

11.5 As part of the performance reporting of the commercial programme the Board will consider not only new investment proposals, but also ongoing reporting of commercial activity outlining:

11.5.1 the performance of the portfolio,

11.5.2 the future pipeline of opportunities,

11.5.3 the investment forecast,

11.5.4 the risks and mitigations,

11.5.5 the detailed performance and commentary of each investment/
development proposal within the portfolio.

11.6 The reporting will be effective enough to allow the Board to support decisions on the future of each investment proposal considering four key outcomes

Increase - the proposal is performing well, and every indicator shows that the Council should increase the amount invested to generate enhanced benefits.

Continue - the proposal is performing well, and every indicator shows that the Council should continue with the existing levels of investment.

Warning - the proposal is not performing well and should be closely monitored, and remedial action taken. If the proposals poor performance hasn’t been reversed, the Board should consider alternate strategies.

Exit/Disinvest/Stop - the proposal is not performing well, despite the Council’s best efforts, the proposal should be considered for closure as soon as practicable, and the exit strategy evoked.



- 11.7 The commercial approach of the Council must be considered against the wider CIPFA financial regulations and MHCLG guidelines.
- 11.8 Each investment made by the Council will need to be regularly valued as part of the year end accounts closure process, with different asset types requiring differing valuation methods and timings.
- 11.9 There will be an annual analysis of the portfolio mix and re-profiling of the portfolio. This includes the current estate as well as new acquisitions. There will be more regular reviews in changeable/volatile economic circumstances.
- 11.10 The Strategy should consider the Portfolio's exposure to both macro and local economic downturns and monitor financial market commentaries and reviews on the likely future courses of interest rates, exchange rates and inflation and their potential impact on the property market and yields.
- 11.11 The Strategy should allow sufficient flexibility both to take advantage of potentially advantageous changes in market conditions and to mitigate the effects of potentially disadvantageous changes.
- 11.12 Officers will report regularly to the Director of Corporate Resources and will provide an annual report to Cabinet and to the Scrutiny Commission as well as updates throughout the year.
- 11.13 Financial performance will be benchmarked against other organisations.
- 11.14 More financial technical benchmarks such as Expected Yield and Internal rate of Return are also used to provide accounting rigour regarding performance.
- 11.15 Other items such as total investment, risk profile, liquidity and exit costs for the individual activities above a certain threshold are summarised in the regular reports to the Board.
- 11.16 The Statutory Guidance on Local Government Investments (3rd Edition) which is issued under s15(1)(a) of the Local Government Act 2003 requires local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its decisions (para 22 of the Guidance).
- 11.17 Therefore, the Council has adopted the quantitative indicators as recommended by the Guidance (see Appendix A) and these, where appropriate, will form part of the Portfolio's annual report.



STAFF RESOURCES

- 12.1 The Direct Property Portfolio is managed by the Head of Strategic Property Services with support from colleagues in Property with additional legal and consultancy advice; the portfolio of diversifiers being managed by the corporate finance team. The Director of Corporate Resources will ensure that there are adequate resources employed to ensure the whole Portfolio is managed in a safe and productive manner.



APPENDIX A

Quantative Performance Indicators		Estimate 2025/26	Estimate 2029/30
Debt to net service expenditure (NSE) ratio	Gross debt as a percentage of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.	n/a	n/a
Commercial income to NSE ratio	Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.	1.40%	1.13%
Investment cover ratio	The total net income from property investments, compared to the interest expense.	n/a	n/a
Loan to value ratio	The amount of debt compared to the total asset value.	n/a	n/a
Target income returns	Net revenue income return. (net income / historic cost)	4.49%	3.46%
Benchmarking of returns	Level of predicted market returns used as benchmark for the portfolio, includes 2.5% estimated capital growth	6.99%	5.96%
Gross and net income	The income received from the investment portfolio at a gross level and net level (less costs) over time.	£10.3m £10.7m	£8.6m £9.0m
Operating costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.	£1.6m	£1.7m
Vacancy levels and Tenant exposures for non-financial investments (direct commercial property)	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.	5.0%	5.0%
		(40,700 sq. ft.)	(45,000 sq. ft.)
Amount of tenanted farmland disposed of vs acquired	Monitoring the size of the County Farm Estate.	5 acres sold vs	100 acres sold vs
		0 acres acquired (7,354 acres held)	100 acres acquired (7,359 acres held)
Number of tenant farmers	Monitoring how many farmers have taken leases on County Farms Properties with reference to new entrants to the farming sector.	4 new letting	4 new letting
		1 new entrant	3 new entrants
Note 1. No borrowing has been incurred to fund IILP			

The above table reflects the internally set targets for the direct property portfolio for the current year and the final year of the strategy. In addition to reflecting the contribution the portfolio makes to support of services it shows the level of returns required to meet the predicted benchmark market comparators in terms of both net income return and total return crucial in ensuring that the portfolio provides continuing value for money.

Further, the target gross and net income figure are seen to increase for both the current year and over the period reflecting the additional income to be generated on the completion of new developments such as the final phase of Airfield Farm Business Park and increases achieved through rent reviews and lease renewals with operating costs remaining relatively stable over the period.

The Rural Estate data reflects the aspiration to maintain the estate at its current size replacing any land lost to development with additional agricultural assets thereby maintaining the opportunity for new entrants to enter the farming industry and establish sustainable businesses.

The County Council has not directly borrowed to develop the liLP portfolio. This is a more prudent position given no repayments of loans or exposure to interest rate changes affect the profitability of the portfolio.

The liLPs commercial income to the County Council's net revenue budget is low at less than 1.5% for both years stated. This implies less reliance on the liLP to provide core services. The net income produced is still material at over £8m per annum.

Operating costs include among other costs the building and maintaining of a sinking fund to support the liLPs assets in for improvements or unexpected losses. We would expect that over time, operating costs as a percentage to stabilise but this would be dependant on future utilisation of the sinking fund.

Target income returns look lower than they would otherwise be given a material part of the liLP includes a rural estate which has been significantly revalued upwards in past years and yields a lower rental income than commercial property. In addition, inclusion of the development sites lowers then target income estimate given no rental income until completion and let.



APPENDIX B

INVESTING IN LEICESTERSHIRE PROGRAMME BOARD TERMS OF REFERENCE AND GOVERNANCE ARRANGEMENTS

Function

To support the increase, improvement and management of the County Council's Investing in Leicestershire Programme (the Programme) which:

- Supports the objectives of the Council's Medium Term Financial Strategy.
- Addresses areas of economic and social market failure and development of Leicestershire's infrastructure.
- Supports the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
- Supports the delivery of the Council's Strategic Plan's five strategic outcomes and wider strategic objectives.
- Ensures investment risk is managed through the opportunity to invest in diverse sectors.
- Meets the objectives of the Council's Corporate Asset Management Plan, Investment in Leicestershire Programme Strategy (the Strategy), the Economic Growth Plan and Local Industrial Strategy.
- Increases the size of the property portfolio and improves the mix and quality of land and property available across the County and its area of economic influence.
- Maximises returns on Council owned property assets.
- Supports growth in the County and its economic area of influence and ensures there is a more diverse range of properties and land assets available to meet the Council's aims, including economic development and regeneration.
- Supports the Council in maximising the benefit from its financial assets in a risk aware way (not including standard treasury management activity).

Note: Treasury Management activity with banks, local authorities and the capital market are not in the scope of this Board, such activities being undertaken by the Director of Corporate Resource in accordance with the Treasury Management Strategy and Investment Strategy agreed annually by the County Council.



Role

To consider matters relating to assets held, or to be held, including:

- Property transactions which would require a decision by the Cabinet or a decision by the Director of Corporate Resources under delegated powers where there is an obligation to first consult the Board.
- Proposals to acquire property for development, or to develop or redevelop existing property assets currently used for service delivery into economic development/ investment assets.
- Proposals to acquire land to support housing development within the County
- Significant disposal proposals.
- Other investment proposals, compliant with Government guidance, aimed at generating an income and return where this is considered appropriate by the Director of Corporate Resources.
- The development of investment policies and strategies covering property and financial investments not categorised as 'specified' in the Council's Investment Strategy.
- Performance (financial and non-financial) in relation to investment activity and the achievement of strategic objectives.

Governance Arrangements

The Board will comprise of a minimum of 5 Cabinet members to be appointed by the Leader, including the Cabinet Lead Member for Resources who will be Chairman of the Board.

A quorum of three Members will be required to conduct business.

The Board will meet as and when required.

Support will be given to the Board by the following (or their representative) –

- The Director of Corporate Resources
- The Head of Strategic Property
- The Director of Law and Governance
- The Head of Planning, Historic and Natural Environment (as required)
- Independent investment advisors (as required)

Meetings of the Board will be held in private in view of its function and the nature of business to be considered.



Independent Investment Advisors

Support is primarily expected from a specialist advisor with proven expertise and experience in the property investment market and access to specialist industrial, agricultural, office and retail investment areas will be appointed to provide property investment consultancy advice to the Board and to officers regarding proposed property investment activities.

The Independent Advisor will also:

- Provide market information and strategic advice on an ongoing basis in order that the Strategy can be reviewed and updated to respond quickly to changing economic and market conditions.
- Upon request by the Director of Corporate Resources, actively source investment opportunities and pursue those and such other investment opportunities as directed by the Authority on behalf of the Council, providing detailed property appraisals to assist the governance process as necessary.

Where non-property investments are being considered external advice will be taken, as appropriate. Depending upon the nature of the investment this could range from an advisor specialising in the investment area or utilisation of advice received by the Pension Fund.

Ongoing Reporting Arrangements - Management and Monitoring of Investments

Regular performance reports regarding the Programme will be presented to the Board as is considered appropriate by the Director of Corporate Resources.

Financial performance of the will be monitored regularly through a specific section in the MTFS Monitoring reports presented to the Cabinet and the Scrutiny Commission on a regular basis.

Reports will be presented to the Cabinet and the Scrutiny Commission annually in the summer regarding matters considered and supported by the Board and actions taken by the Director of Corporate Resources under delegated powers. Such reports will also set out the performance of the portfolio against the targets set out in the Corporate Asset Management Plan.

Investment Fund Strategy.

Decisions taken by the Director of Corporate Resources under delegated powers will be published on the Council's website in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012.

The Strategy will be reviewed and refreshed on an annual basis and the Corporate Asset Management Plan will be reviewed and refreshed every four years with additional annual updates during the period. Both will be presented to the Scrutiny Commission for consideration, and thereafter the Cabinet for approval.



