Leicester
City Council

MEETING OF THE OVERVIEW SELECT COMMITTEE

DATE: **THURSDAY, 8 FEBRUARY 2024**
TIME: **5:30 pm**
PLACE: **Meeting Rooms G.01 and G.02, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ**

Members of the Committee

Councillor Cassidy (Chair)
Councillor Surti (Vice-Chair)

Councillors Bajaj, Dave, Dawood, Joel, Porter and Waddington

Youth Council Representatives

To be advised

Members of the Committee are invited to attend the above meeting to consider the items of business listed overleaf.

J Mann

For Monitoring Officer

Officer contacts:
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Leicester City Council, 115 Charles Street, Leicester, LE1 1FZ

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PUBLIC SESSION

AGENDA

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are asked to declare any interests they may have in the business to be discussed.

3. CHAIR'S ANNOUNCEMENTS

4. MINUTES OF THE PREVIOUS MEETING **Pages 1-17**

The minutes of the meetings of the Overview Select Committee held on 14 December 2023, and 11 January 2024 are attached and Members are asked to confirm them as a correct record.

5. PROGRESS ON ACTIONS AGREED AT THE LAST MEETING

To note progress on actions agreed at the previous meeting and not reported elsewhere on the agenda (if any).

6. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer to report on the receipt of any questions, representations and statements of case submitted in accordance with the

Council’s procedures.

7. PETITIONS

The Monitoring Officer to report on any petitions received.

8. TRACKING OF PETITIONS - MONITORING REPORT Pages 19-23

The Monitoring Officer submits a report that updates Members on the monitoring of outstanding petitions. The Committee is asked to note the current outstanding petitions and agree to remove those petitions marked ‘Petitions Process Complete’ from the report.

9. QUESTIONS FOR THE CITY MAYOR

The City Mayor will answer questions raised by members of the Overview Select Committee on issues not covered elsewhere on the agenda.

10. DRAFT REVENUE BUDGET 2024/25 Pages 25-61

The Director of Finance submits the Draft Revenue Budget 2024/25 which will be considered by Council on 21 February 2024.

The draft minute extracts detailing the respective Scrutiny Commissions’ discussion on the Draft Revenue Budget report are attached

Adult Social Care – 25 January 2024
Children, Young People, and Education – 16 January 2024

The Overview Select Committee is recommended to consider the Draft Budget and the comments made by the Scrutiny Commissions, and to pass its comments on these to the meeting of Council for consideration.

11. DRAFT CAPITAL PROGRRAMME 2024/25 Pages 63-95

The Director of Finance submits the Draft Capital Programme 2024/25 which will be considered by Council on 21 February 2024.

The draft minute extracts detailing the respective Scrutiny Commissions’ discussion on the Draft Revenue Budget report are attached

Adult Social Care – 25 January 2024 (Attached to previous report)
Children, Young People, and Education – 16 January 2024

The Overview Select Committee is recommended to consider the report and the comments made by the Scrutiny Commissions, and to pass its comments on these to the meeting of Council for consideration.

12. DRAFT HOUSING REVENUE ACCOUNT (INCLUDING CAPITAL PROGRAMME) 2024/25 **Pages 97-170**

The Director of Housing submits a report setting out the proposed Housing Revenue Account (HRA) budget (including Capital Programme) for 2024/25, which will be considered by Council on 21 February 2024. An extract from the meeting of the Housing Scrutiny Commission on 19 January 2024 is attached.

The Overview Select Committee is recommended to make any comments on the report.

13. TREASURY MANAGEMENT STRATEGY 2024/25 **Pages 171-195**

The Director of Finance submits a report which proposes a strategy for managing the Council's borrowing and cash balances during 2024/25 and for the remainder of 2023/24. (This is the Treasury Management Strategy).

Members of the Overview Select Committee are recommended to note the report and make comments to the Director of Finance that they wish, prior to Council consideration.

14. INVESTMENT STRATEGY 2024/25 **Pages 197-208**

The Director of Finance submits a report which defines the Council's approach to making and holding investments, other than those made for normal treasure management purposes. The latter are described in the annual treasury management strategy. Members of the Overview Select Committee are recommended to note the report and make any comments to the Director of Finance as wished, prior to Council consideration.

15. TREASURY POLICY 2024/25 **Pages 209-217**

The Director of Finance submits a report which gives a framework for the governance of the Council's borrowing and investments, and it updates the framework previously approved by Council.

The Overview Select Committee is recommended to note the report and make comments to the Director of Finance and the Executive as they wish.

16. OVERVIEW SELECT COMMITTEE WORK PROGRAMME

The current work programme for the Committee is attached. The Committee is asked to consider this and make comments and/or amendments as it considers necessary.

17. ANY OTHER URGENT BUSINESS **Pages 219-224**

Leicester City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 14 DECEMBER 2023 at 5:30 pm

PRESENT:

Councillor Cassidy (Chair)
Councillor Surti (Vice Chair)

Councillor Bajaj
Councillor Dave
Councillor Dawood
Councillor Joel
Councillor Porter
Councillor Waddington

Also present:

Sir Peter Soulsby — City Mayor

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48. APOLOGIES FOR ABSENCE

There were no apologies for absence.

49. DECLARATIONS OF INTEREST

Members were asked to disclose any pecuniary or other interests they may have in the business on the agenda.

There were no declarations of interest.

50. CHAIR'S ANNOUNCEMENTS

There were no Chair’s announcements.

51. MINUTES OF THE PREVIOUS MEETING

AGREED:

That the minutes of the meeting held on 9 November 2023 be confirmed as a correct record.

52. PROGRESS ON ACTIONS AGREED AT THE LAST MEETING

No matters were raised as part of this item.

53. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

There were no questions, representations or statements of case.

54. PETITIONS

There were no petitions.

55. TRACKING OF PETITIONS - MONITORING REPORT

The Monitoring Officer submitted a report which provided an update on the status of outstanding petitions against the Council's target of providing a formal response within three months of being referred to the Divisional Director.

AGREED:

That the status of the outstanding petitions be noted, and to remove those petitions marked 'Petition Complete' Ref: from the report.

56. QUESTIONS FOR THE CITY MAYOR

There were no questions for the City Mayor.

57. CALL-IN OF BUDGET SAVINGS DECISION

A report was submitted informing the Committee that the Executive decision taken by the City Mayor on 24 November 2023 relating to in-year budget savings had been the subject of a six-member call-in under the procedures at Rule 12 of Part 4D, City Mayor and Executive Procedure Rules, of the Council's Constitution.

The Chair clearly outlined the process that he would follow in determining how to resolve the call-in. The Commission was recommended to either:

a) Note the report without further comment or recommendation. (If the report is noted the process continues and the call in would be considered at Full Council); or

b) Comment on the specific issues raised by the call-in. (If comments are made the process continues and the comments and call in would be considered at Full Council) or

c) Resolve that the call-in be withdrawn.

The Chair invited the proposer and seconder of the call-in, Councillor Kitterick and Councillor Bajaj to address the committee. The following points were raised:

- Although many of the decisions reflected in the report were uncontentious and were being undertaken for operational reasons, it was felt that more detailed scrutiny of these was required.
- Detail was sought regarding the impact of the restructuring the provision of waste services.
- Detail behind the anticipated additional income within Bereavement Services was also sought.
- The level of saving within Enablement Services was seen as particularly significant.

The Chair invited the Director of Finance to respond to the call-in. The following points were put forward:

- In respect of waste management, complaints were now handled internally, and the City Council had charged a small increase for trade waste.
- With regard to Cleansing Services, the City Council had purchased more street cleaning machinery and required fewer staff as a result.
- A number of long-term vacancies had been held within the Regulatory Services division.
- In respect of savings made for CAMHS support, it was noted that external funding had now been secured in order to meet provision.
- Domestic Abuser provision was now primarily delivered in-house rather than sourcing external providers.
- With regard to enablement services, the provision of a 12-week intervention programme resulted in fewer required staff. This led to the formulation of a service review. It was reported that this would not impact service delivery.

Members of the Commission discussed the report which highlighted the following points:

- During the last decade, the Council's level of spend had reduced by over 50% as a result of government cuts. These cuts were very challenging for the City Council and it was reported that further savings would be required in the future.
- It was made clear that services that were not filling all vacant posts would comprise a staffing structure that was able to successfully deliver the required service.
- Further information would be provided in respect of fee increases within Bereavement Services.
- Furter information would be provided in respect of the total number of deleted posts as a result of all of the savings proposed in the report.

- It was noted that individual scrutiny commissions should be responsible for examining the impact of changes to services within their portfolios.

Councillor Cassidy moved that, following the points raised during the meeting, the call-in be withdrawn. This was seconded by Cllr Surti. Upon being put to the vote, the motion was carried.

RESOLVED:

1) That the call-in be withdrawn and that the Committee supports the implementation of the Executive decision.
2) That further information be provided to members in respect of the total number of deleted posts as a result of all of the savings proposed in the report; and
3) That further information be provided to members in respect of fee increases within Bereavement Services.

58. REVENUE BUDGET MONITORING - APRIL-SEPTEMBER 2023/24

The Director of Finance submitted the second report of the monitoring cycle for 2023/24 which provided an update on the financial pressures faced by the Council and the worsening picture on this and next years' budgets.

Following a brief overview of the report by the Director of Finance, the following points were made in response to questions and comments from members:

- The City Catering service had delivered £200,000 in staffing savings.
- The suggestion raised previously at the committee in respect of unused school meals was being taken up with the Schools Forum.
- It was acknowledged that solutions to the increasing number of LAC placements were required. Personal budgets were available for families and it was hoped that the take-up of this option would increase further.
- There was provision in the current capital programme for the building of two new children's residential homes, and consideration was also being given to how the number of foster placements in Leicester could be enhanced.
- The City Council was considering the delivery of a multi-million pound development to enable and easing of the pressures of dealing with an increase in the level of homelessness. Further detail would be forthcoming in due course.
- A number of incentives were outlined which attracted more service users into City Council leisure centres. It was noted that there had recently been a significant level of capital investment into the centres across the city and a growth in membership subscriptions had been experienced. Officers also stated that the pricing stricture had been reviewed, which had led to the provision of a greater number of different concessions for customers.
- Further detail would be provided to members in relation to:

(i) The overall level of bus subsidy which was being paid.
(ii) The number of Looked After Care (LAC) placements which were delivered out of the city. This matter was also being examined in more detail by the Children, Young people and Education Scrutiny Commission.
(iii) The steps being taken to fill current vacant posts within the Housing department.
(iv) Existing usage figures for the district heating scheme
(v) Detailed information of the existing workforce and detail of the shortages of skills which were currently influencing the market.

AGREED:

That the overall position presented in the report be noted and that further information on a number of matters raised be provided to members, as outlined above.

59. CAPITAL BUDGET MONITORING - APRIL-SEPTEMBER 2023/24

The Director of Finance submitted a report that showed the position of the capital programme at the end of September 2023. She confirmed that this was the second such report submitted to scrutiny during the current financial year.

As part of the introduction to the item, the Director of Finance explained that delays around construction and inflationary pressures would result in a small proportion of capital schemes being completed later than anticipated. Progress in relation to these schemes would be detailed in future capital monitoring reports.

It was also stated that a number of additions, transfers and policy provision releases were recommended and each of these were outlined in paragraph 2.1.

In response to comments and questions from members, the following was reported:

- Projects highlighted in purple within the report were on hold for various reasons, which had nothing to do with the management of the capital programme.
- No further delays were anticipated to the Leicester Railway Station – Levelling Up project.
- The money allocated towards the Ashton Green Access Road project represented the next phase of work. This was anticipated to be complete by December 2024.
- The Green Homes grant allocation was transferred to private sector partners who would be delivering the required work.

AGREED:

That the overall position in the report including the recommendations for the Executive be noted.

60. INCOME COLLECTION APRIL 2023 - SEPTEMBER 2023

The Director of Finance submitted a report which detailed progress made in collecting debts raised by the Council during the first six months of 2023-24, together with debts outstanding and brought forward from the previous year. It also set out details of debts written off under delegated authority that it had not been possible to collect after reasonable effort and expense.

The Director of Finance noted that this was the first income collection report presented to the committee during the financial year. The overall level of debt outstanding to the local authority had not significantly dropped-off and the Director of Finance acknowledged that the cost-of-living crisis had presented escalating problems for many residents and businesses. A dedicated web page (BetterOff) had been set-up to assist those who were struggling to manage debt.

In response to comments and questions from members, the following was reported:

- Performance data against other local authorities was not always accessible. In terms of business rate collection, the City Council was ranked 9th out of 14 comparator authorities, though this often fluctuated.
- For the period under review, a figure of £0.7m had been raised from bus lane enforcement fines.

AGREED:

That the committee noted the overall position presented within the report.

61. MID-YEAR REVIEW OF TREASURY - MANAGEMENT ACTIVITIES 2023/24

The Director of Finance submitted a report which reviewed how the Council conducted its borrowing and investments during the first six months of 2023/24.

The Director of Finance stated that this was first report of the financial year presented to the committee with regard to treasury management activity.

The report provided an overview of treasury management and included a summary of loans, investment and borrowing activity. It was noted that the base rate had increased from 0.1% to 5.25% since December 2021.

It was further noted that the City Council had recently repaid a £25m loan to Barclays originally due for repayment in 2077.

In response to questions in relation investments into the Lothbury Trust property fund, it was reported that this was initially envisaged as a long-term investment. However, the Trust had suffered a number of significant redemptions and it was likely to be terminated on 31 December 2023. Should this occur, it was likely that all funds would be returned to the City Council. The Director of Finance agreed to provide an update in due course.

It was noted that some of the average rate information was incomplete within the loans and investments table included in the report. It was agreed that further information be provided to members.

AGREED:

(1) That the report be noted.
(2) That further detail with regard to the status of the Lothbury Trust investment be provided to members in due course; and
(3) That a revised version of the loans and investments table included in the report be provided to members.

62. OVERVIEW SELECT COMMITTEE WORK PROGRAMME

The work programme for the Committee was noted.

63. ANY OTHER URGENT BUSINESS

There were no items of other urgent business.

Leicester
City Council

Minutes of the Special Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 11 JANUARY 2024 at 5:30 pm

P R E S E N T :

Councillor Cassidy (Chair)

Councillor Bajaj
Councillor March (for Cllr Surti)
Councillor Dawood
Councillor Porter
Councillor Waddington
Councillor Whittle (for Cllr Joel)

Also present:

Sir Peter Soulsby	City Mayor
Councillor Elly Cutkelvin	Deputy Mayor for Housing and Neighbourhoods

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1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

Members were asked to disclose any pecuniary or other interests they may have in the business on the agenda.

There were no declarations of interest.

3. CHAIR'S ANNOUNCEMENTS

The Chair wished all present a very happy new year.

4. CALL-IN OF EXECUTIVE DECISION: CONNECTING LEICESTER - DEMOLITION OF 14-16 MARKET PLACE, CREATION OF NEW LINK AND DEVELOPMENT SITE

A report was submitted informing the Committee that the Executive decision taken by the City Mayor on 7 December 2023 relating to the creation of a new link and development site at Market Place North had been the subject of a six-member call-in under the procedures at Rule 12 of Part 4D, City Mayor and Executive Procedure Rules, of the Council's Constitution.

The Chair clearly outlined the process that he would follow in determining how to resolve the call-in. The Commission was recommended to either:

a) Note the report without further comment or recommendation. (If the report is noted the process continues and the call in would be considered at Full Council); or
b) Comment on the specific issues raised by the call-in. (If comments are made the process continues and the comments and call in would be considered at Full Council) or
c) Resolve that the call-in be withdrawn

The Chair invited the proposer and seconder of the call-in, Councillor Kitterick and Councillor Bajaj to address the committee. The following points were raised:

- The proposal marked a huge investment into the city centre, and this was not a priority given the spending constraints that councils faced.
- Considerable spend had been injected into the city centre over recent years.
- The areas away from the city centre were not being adequately supported.
- The funding earmarked for this work should instead be spent on children's play or youth provision.

The Chair invited the City Mayor and relevant lead Directors to respond to the call-in. The following points were put forward:

- Developing the City Centre was vital in attracting significant sums of capital investment and helped to ensure a very high level of shopping unit occupancy.
- This work presented a continuation of the 'Connecting Leicester' programme, and there had been strong public support behind previous schemes.
- There had not been a disproportionate level of spend towards the city centre, with approximately 90% of capital expenditure benefiting Leicester's neighbourhoods.
- The Director, Tourism, Culture and Inward Investment, described the detail and benefits of the scheme via a series of presentation slides.
- The Director of Neighbourhood and Environmental Services provided a presentation that showcased the level of investment and progress in providing play equipment across the city.

Members of the Commission discussed the report which highlighted the following points:

- There were a number of ways in which the surrounding retail area could be developed. A ‘box park’ approach was a potential solution and had been increasingly popular in other cities, but that but other options would also be considered.
- A ‘box park’ approach or alternative solution would be subject to commercial investment.
- There was further re-iteration that the City Council invested significantly in both the city centre and surrounding neighbourhoods.
- This scheme and other strands of the Connecting Leicester programme provide a significant number of job opportunities.
- Previous schemes such as the development of the former Apple Street Car Park into Jubilee Square as well as the demolition of the former Fish Market had hugely transformed the city centre and provided quality public spaces.
- Reference was made by members to several new play area improvement projects that were being developed with their wards.

A short adjournment took place before the conclusion of the item.

Councillor Cassidy moved that, following the points raised during the meeting, the call-in be withdrawn. This was seconded by Cllr March.

It was agreed that a recorded vote be carried out. Councillors Cassidy, Dawood, March, Waddington voted in favour of the motion. Councillors Bajaj and Porter voted against the motion.

Upon being put to the vote, the motion was carried.

RESOLVED:

That the call-in be withdrawn and that the Committee supports the implementation of the Executive decision.

5. CALL-IN OF EXECUTIVE DECISION - CONNECTING LEICESTER - ST MARTINS PHASE 2 IMPROVEMENT SCHEME

A report was submitted informing the Committee that the Executive decision taken by the City Mayor on 21 December 2023 relating to the release of £1.6m from the policy provision in Highways & Infrastructure to the Connecting Leicester capital programme for the delivery of the final phase of the St Martins street improvement scheme had been the subject of a six-member call-in under the procedures at Rule 12 of Part 4D, City Mayor and Executive Procedure Rules, of the Council’s Constitution.

The Chair again clearly outlined the process that he would follow in determining how to resolve the call-in. The Commission was recommended to either:

a) Note the report without further comment or recommendation. (If the report is noted the process continues and the call in would be considered at Full Council); or
b) Comment on the specific issues raised by the call-in. (If comments are made the process continues and the comments and call in would be considered at Full Council) or
c) Resolve that the call-in be withdrawn

The Chair invited the proposer and seconder of the call-in, Councillor Bajaj and Councillor Porter to address the committee. The following points were raised:

- The proposal and level of investment did not represent the priorities of the people of the city.
- Given recent events, increased funding was required for flood prevention measures and the money earmarked for this scheme should be diverted to deal with flood prevention.
- The funding could also be diverted to increase the level of investment into road resurfacing across the city.
- The scheme was described as a 'vanity project' that provided little public benefit.

The Chair invited the City Mayor and the Director of Planning, Development and Transportation to respond to the call-in. The following points were put forward:
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- This scheme represented a further continuation of the Connecting Leicester programme, and the completion of previous stands of the programme had led to significant investment into the city centre.
- This scheme would provide a significant number of job opportunities.
- The scheme would greatly improve accessibility within an area of the city centre that experienced a high level of footfall.
- Once the work had been undertaken, this scheme would complete Leicester's pedestrian zone, providing safe cycling and walking links.
- National figures indicated that every £1 invested in city centres by local authorities was likely to return £13 in private sector investment.
- Cit Centre businesses had been very supportive of this proposal.
- The Director of Planning, Development and Transportation further described the detail and benefits of the scheme via a series of presentation slides.

Councillor Cassidy moved that, following the points raised during the meeting, the call-in be withdrawn. This was seconded by Cllr March.

It was agreed that a recorded vote be carried out. Councillors Cassidy, Dawood, March, Waddington voted in favour of the motion. Councillors Bajaj and Porter voted against the motion.

Upon being put to the vote, the motion was carried.

RESOLVED:

That the call-in be withdrawn and that the Committee supports the implementation of the Executive decision.

6. EXCEPTIONAL HOMELESSNESS PRESSURES ON HOUSING

The Director of Housing submitted a report that set out positive actions and steps that were proposed to be taken to support families and people facing homelessness in Leicester which helped address very challenging homelessness pressures.

The Director of Housing initially introduced the report and explained that a revised version of the report had been provided to members in advance of the meeting. This version would be submitted to a Special Meeting of Full Council on 18 January, when a decision on the matter would be taken. He explained that the main alteration to the report was to remove an amendment to the enhanced rough sleeper element of provision and that this was no longer being proposed.

The Director of Housing made the following comments as part of an introduction:

- The national growth in homelessness was well known and was being experienced significantly in Leicester with 337 families in Temporary and B&B accommodation.
- The use of bed and breakfast provision to house people was extremely expensive, with anticipated costs to the local authority to rise by a further £7million by the end of 23/24.
- Demand for permanent homes could not be met even with the Council's own delivery of 1,100 homes, current delivery of 1,500 homes over 23-27, access to LCC properties and though increased access to registered providers stock & PRS stock (linked to the PRS landlord offer) had enabled access to an additional 1,400 homes.
- Furthermore, as a result of Government speeding up asylum decisions (SAP), there was a growing number of people and families (1,000) approaching Leicester City Council adding further pressures to Homelessness services and this had a significant and direct impact in Leicester. As there was no permanent accommodation to offer, those affected would ordinarily be placed in bed and breakfast provision or temporary accommodation. It was stressed that there was no direct financial support from central government to support with this.
- There was huge pressure on Homelessness Services, with a 20% increase in the number of people presenting themselves as homeless.

- Tackling the current demand on the homelessness service coupled with the impact of the Streamlined Asylum Process (SAP) equated to up to an additional £50 million of pressure on City Council finances over the next two years.
- This proposal aimed to manage and mitigate the current circumstances and would result in an investment of £45m and would involve:
  a) The lease of 125 units of accommodation at an estimated annual net cost of £0.3m;
  b) The acquisition of up to 225 units of accommodation at an estimated capital cost of £45m and annual revenue cost of £1m in 2024/25 (and £2m per year thereafter).
  c) The addition of £45m to the Council's capital programme, to be financed from Prudential Borrowing.
- The proposed additional accommodation would comprise self-contained units and flats, each with their own cooking facilities; a significantly improved situation over the use of bed and breakfast provision.
- The current enhanced rough sleeper offer was beyond what the City Council was legally obliged to provide, and as such, it attracted many people from across the country who were unable to find suitable accommodation. It was stressed that the revised report did not seek a decision from Full Council in respect of the enhanced rough sleeper provision but that the matter would be kept under review.

The Deputy Mayor for Housing and Neighbourhoods commented further and re-iterated the significant level of increased cost in providing temporary accommodation and stressed the impact that this had on the service. She also pointed out that other local authorities were experiencing similar challenges, and many had struggled to devise suitable solutions. She spoke positively of the proposed approaches outlined in the report to tackle the challenges in Leicester, which she saw as a creative solution that would provide a far better standard of housing to families and single persons moving out of bed and breakfast accommodation. Officers were thanked for their work in drawing together the proposals.

The Chair invited David Brazier of Shelter to address the committee. David thanked Cllr Cutkelvin and officers for their work and welcomed the proposals in the report that was being submitted to Full Council. He supported a review of the existing enhanced rough sleeper provision and requested that the Voluntary Sector be involved in any consultative activity in relation to this.

Councillor Ashiedu Joel had submitted apologies for the meeting and her committee place had been substituted by Councillor Whittle. She had joined the meeting via the virtual link and the Chair invited her to make comment in her capacity as the Chair of the Housing Scrutiny Commission. She echoed the views expressed by several colleagues and requested that the enhanced rough sleeper offer be examined by the Housing Scrutiny Commission in due course. She, along with other committee members, also requested that a full Equality Impact Assessment in relation to the service accompanies any report that is presented to the commission.

In response to questions from members of the commission, the following points were made:

- It was currently proposed that all of the additional units of accommodation within the proposals would be located within the Leicester City Council boundary. Displacement beyond Leicester was not favoured nor anticipated.
- It was anticipated that there would be a broad geographical spread of accommodation across Leicester, and that it was intended where possible to house people close to where they were currently residing.
- The accommodation would comprise a mix of family homes and flats, with a higher proportion of the former being anticipated. It was agreed that a comprehensive breakdown in relation to the mix of accommodation be provided to members.
- All units of accommodation LCC will seek to buy would be vacant.
- Personnel costs were set out within the report and consisted of different levels of staffing numbers across of a range of areas within Homelessness Services. Advertisements for these positions would soon be issued.
- The timescale for completing the required work depended on how quickly the required accommodation could be made available, though it was made clear that there a dedicated Programme Board was engaging delivery on this. It was chaired by the Strategic Director of City Development and Neighbourhood Services and supported by a number of other relevant Directors.
- It was stressed that addressing this matter was a vitally important priority for the City Council and that the Director of Estates and Building Services, along with others, had identified a long-list of potential housing options and the financial viability of these options was being currently reviewed.
- The figure of £1.2m attributed to management services related to the work required to manage the 350 properties. An external provider would be procured to undertake this work.
- In response to a comment that the proposals provided a temporary rather than a permanent offer to those in need, it was stated that there had been a sharp increase in the level of investment by the City Council into permanent homes. 1,100 new homes had been recently built and a further 1,500 were in train which would bring spending up to £450m overall. Of these, up to 700 homes would be able to house people permanently.
- The City Council would ideally want to always offer permanent solutions, but with the numbers presenting as homeless, this wasn’t viable. The proposal provided a comfortable living space to significantly improve conditions for people whilst permanent options for them were being explored.
- It was noted that 337 people currently were residing in temporary accommodation but it was anticipated that a further 1,000 people could

present themselves as homeless to the local authority in the next few months.

- It was made clear that the City Council had carefully considered all legal implications associated with the proposals and had also sought external legal advice. This information was legally privileged and could not be widely distributed.
- It was confirmed that the government would not be providing any finance to local authorities to help to respond to the current level of pressure on resources brought about by the Streamlined Asylum process.
- There was strong commitment to continue to work closely with the voluntary sector in facilitating services to those who were homeless. It was reported that there was a range of organisations across the city that worked collaboratively with the City Council in offering solutions to strengthen pathways for those in need.
- The Hospital Close development would be completed in two phases, both of which were due to finish by the end of 2024.
- There were currently fewer than 350 vacant council homes, which equated to less than 2% of total stock. This was seen as a very good level of performance.

The committee was reminded that Full Council would be asked to approve the following recommendations:

i) To note the significant service and Council pressure arising from the increase in homelessness;

ii) To note and comment on the actions being proposed relating to the below recommendations in this report;

iii) To agree to proceed with leasing 125 units of accommodation at an estimated annual net cost of £0.3m;

iv) To agree to proceed with the acquisition of up to 225 units of accommodation at an estimated capital cost of £45m and annual revenue cost of £1m in 2024/25 (and £2m per year thereafter).

v) To approve the addition of £45m to the Council's capital programme, to be financed from Prudential Borrowing.

AGREED:

1) To note the recommendations for the Special Meeting of Full Council, as outlined above.
2) That a report regarding the enhanced rough sleeper offer be provided to the Housing Scrutiny Commission and that an Equality Impact Assessment be prepared to accompany this report; and
3) That a comprehensive breakdown in relation to the mix of

accommodation units be provided to members of the committee.

7. ANY OTHER URGENT BUSINESS

There were no other items of urgent business.

Tracking of Petitions – Monitoring Report

Overview Select Committee

Date of meeting: 8 February 2024

Lead officer: Katie Jordan

Useful information

- ■ Ward(s) affected: All Wards – Corporate Issue
- ■ Report author: Katie Jordan
- ■ Author contact details: Katie.Jordan@leicester.gov.uk
- ■ Report version number: 1

1. Purpose of the Report

To provide Members with an update on the current status of responses to petitions against the Council's target of providing a formal response within 3 months of being referred to the Divisional Director.

2. Recommendations

The Committee is asked to note the current status of outstanding petitions and to agree to remove those petitions marked 'Petition Process Complete' from the report.

3. Detailed report

The Committee is responsible for monitoring the progress and outcomes of petitions received within the Council. An Exception Report, showing those petitions currently outstanding or for consideration at the current Overview Select Committee meeting is attached.

The Exception Report contains comments on the current progress on each of the petitions. The following colour scheme approved by the Committee is used to highlight progress and the report has now been re-arranged to list the petitions in their colour groups for ease of reference:

- **Red** – denotes those petitions for which a pro-forma has not been completed within three months of being referred to the Divisional Director.

- **Petition Process Complete** - denotes petitions for which a response pro-forma has sent to the relevant Scrutiny Commission Chair for comment, subsequently endorsed by the Lead Executive Member and the Lead Petitioner and Ward Members informed of the response to the petition.

- **Green** – denotes petitions for which officers have proposed a recommendation in response to a petition, and a response pro-forma has been sent to the relevant Scrutiny Commission Chair for comment, before being endorsed by the Lead Executive Member.

- **Amber** – denotes petitions which are progressing within the prescribed timescales, or have provided clear reasoning for why the three-month deadline for completing the response pro-forma has elapsed.

In addition, all Divisional Directors have been asked to ensure that details of **all** petitions received direct into the Council (not just those formally accepted via a Council Meeting or

similar) are passed to the Monitoring Officer for logging and inclusion on this monitoring schedule.

6. Financial, legal, equalities, climate emergency and other implications

There are no legal, financial or other implications arising from this report.

7. Background Papers – Local Government Act 1972

The Council's current overall internal process for responding to petitions.

8. Summary of appendices:

Appendix 1 – Table of Current petitions.

9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

10. Is this a "key decision"? If so, why?

No

Date Petition referred to Divisional Director	Received From	Subject	Type - Cncr (C) Public (P)	No. of Sig	Ward	Date Receipt Reported to Council (C) / Committee (Cttee)	Lead Divisional Director	Current Position	Scrutiny Chair Involvement	Date of Final Response Letter Sent to Lead Petitioner	Current Status
21/03/2023	Frederick John Ray	Save Hansom Taxis!	(p)	163	Castle		Andrew L Smith	Pettion is currently on hold due to liason with the planning team and the premises.			GREEN
03/05/2023	Shital Adatia	Say NO to a Smokehouse next to Shree Hindu Temple & Community Centre	(p)	339	North Evington		Andrew L Smith	The Proforma and final letter had been sent to the lead petitioner.			COMPLETE
10/05/2023	Ben Glass	Knighton Area Experimental Traffic Order 2022 (TME 2980) Craighill Road Closure	(p)	79	Knighton		Andrew L Smith	The Proforma and final letter were being drafted to send to the lead petitioner.			AMBER
15/05/2023	Abdul Karim	Steps to be demolished to stop antisocial behaviour on Mercury Close.	(p)	15	Wycliffe		Caroline Tote	The Proforma and final letter were being drafted to send to the lead petitioner.			AMBER

Revenue Budget 2024/25

Decision to be taken by: Council

Date of meeting: 21 February 2024

Lead director: Amy Oliver, Director of Finance

City Mayor

Useful information

- Ward(s) affected:
- Report author: Catherine Taylor/Kirsty Cowell
- Author contact details: catherine.taylor@leicester.gov.uk kirsty.cowell@leicester.gov.uk
- Report version number: 1

1. Purpose

1.1 The purpose of this report is to present the City Mayor's proposed budget for 2024/25 and to describe the future financial outlook.

1.2 The proposed budget is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.

2. Summary

2.1 The medium term financial outlook is the most severe we have ever known. Like many authorities, we face the real probability of not being able to balance our budget in 2025/26, necessitating a formal report under section 114 of the Local Government Finance Act 1988 (indeed, some authorities appear to be in that position already). In previous years, we have used a "managed reserves policy", by which specific reserves have been set aside to support budgets and buy us time to make cuts. Without new money from the Government, the proposed budget will exhaust these reserves. The Council also holds a £15m emergency reserves balance, some of which looks like it will need to be spent in 2024/25.

2.2 The background to this severe outlook is:

(a) a "decade of austerity" between 2010 and 2020 in which services other than social care had to be reduced by 50% in real terms. This has substantially reduced the scope to make further cuts;

(b) the covid-19 pandemic where we set "stop gap" budgets whilst we dealt with the immediate emergency. Budgets in 2021/22 to 2022/23 were supported by managed reserves;

(c) recent cost pressures, shared by authorities across the country. These include pressures on the costs of children looked after and support for homeless households, as well as the long-standing pressures in adult social care and the hike in inflation. The budget for 2023/24 was supported by a further £34m of managed reserves;

(d) a new round of austerity is expected, which will lead to further cuts to local authority funding from 2025/26. Meanwhile cost pressures have continued to mount since we set the 2023/24 budget, most notably in children's services and support for the homeless.

2.3 As yet, we only have national information, and have had to prepare a draft budget without the benefit of our own local funding settlement. This has required us to make assumptions based on a share of national amounts. The report assumes that no new Government funding will be forthcoming.

2.4 The “fair funding” review of local government finance has been continuously delayed, meaning that most of the data on which our funding is based is now at least 10 years old (and disregards, for instance, increases in the city’s population).

2.5 The Government’s chosen measure of a council’s ability to spend is “core spending power”. This core spending power consists of a number of funding sources with only a small element being provided by Government Grant. This budget implies a core spending power increase of £23.8m being 6.9%. The Government may point to this as a reason why local authorities have a received an above inflation increase, but as this report indicates it does not come close enough to fund our forecast pressures.

2.6 Additionally, core spending power is predominantly raised locally and not provided by central government. In 2023/24 only 25% of core spending power came from government grant

2.7 The budget reflects savings of £10m which have been achieved during 2023/24 and approved separately. This, however, is dwarfed by the £40m of unavoidable service growth we have had to build in, and which is further explained in section 6 below. The City Mayor has made national representations about the extremely serious effect current government funding policy will have on the entire sector, but so far there has been no indication that this will be addressed.

2.8 We will continue to make further savings. However, it is clear that the budget needs a root and branch review if we are to have any hope of balancing the budget for 2025/26. Inevitably, this means a lot of discretionary services will be under threat. Such a review will commence in January. We have also commissioned a peer review which will be carried out early in 2024 by the Local Government Association. This will either help us identify additional savings, or provide evidence of the impossibility of the challenge.

2.9 The budget proposes a tax increase of just under 5%, which is the maximum we believe we will be allowed to set without a referendum.

2.10 The medium term outlook is attached as Appendix Four and shows the escalating scale of the financial pressures facing the council.

3. Recommendations

3.1 At its meeting in February, the Council will be asked to:

(a) approve the budget strategy described in this report;

(b) approve a formal budget resolution, which sets the council tax level for 2024/25;

(c) approve the budget ceilings for each service, drafts of which are shown at Appendix One to this report;

(d) approve the scheme of virement described in Appendix Two to this report;

(e) note my view on the adequacy of reserves and the estimates used in preparing the budget;

(f) note the equality implications arising from the proposed tax increase, as described in paragraph 11 and Appendix Three;

(g) note the medium term financial strategy and forecasts presented at Appendix Four, and the significant financial challenges ahead;

(h) note that the Executive is not recommending any changes to the Council Tax Support Scheme in 2024/25, but intends to consult on a new "banded scheme" in time for the 2025/26 budget (section 8). The making of savings in the cost of the scheme will be explored at the same time.

(i) subject to consultation, approve any changes in Council Tax premiums that will be described in a separate appendix.

4. **Budget Overview**

4.1 The table below summarises the proposed budget for 2024/25 (summary projections for a three-year period are included in the medium term strategy at Appendix Four):

	2024/25 £m
Service budget ceilings	375.5
Corporate Budgets	
Inflation provisions and contingencies	25.2
Capital Financing	2.7
Miscellaneous Corporate Budgets	2.0
Demographic pressures provision	8.0
Total forecast spending	**413.4**
Rates retention scheme:	
Business rates income	76.4
Top-up payment	62.0
Revenue Support Grant	34.7
Other resources:	
Council Tax	153.1
Collection Fund surplus	0.6
Social Care grants	32.1
Other grants	2.0
Total forecast resources	**260.9**

Underlying gap in resources	**52.5**
Use of Managed Reserves	43.6
Use of General Fund Emergency Balance	8.9
Gap in resources	**NIL**

4.2 The draft budget forecasts are uncertain, because we have had to prepare them before getting details of funding from the government. However, it is clear that the future financial position is very serious.

5. **Construction of the Budget and Council Tax**

5.1 By law, the Council’s role in budget setting is to determine:

(a) The level of council tax;

(b) The limits on the amount the City Mayor is entitled to spend on any service (“budget ceilings”) - proposed budget ceilings are shown at Appendix One;

5.2 In line with Finance Procedure Rules, Council must also approve the scheme of virement that controls subsequent changes to these ceilings. The proposed scheme is shown at Appendix Two.

5.3 The draft budget is based on a proposed Band D tax for 2024/25 of £1,924.63, an increase of just under 5% compared to 2023/24. This is believed to be the maximum which will be permitted without a referendum.

5.4 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part – 84% in 2023/24). Separate taxes are raised by the Police and Crime Commissioner and the Combined Fire Authority. These are added to the Council’s tax, to constitute the total tax charged.

5.5 The actual amounts people will be paying, however, depend upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. Almost 80% of properties in the city are in band A or band B, so the tax will be lower than the Band D figure quoted above. The Council also has schemes for mitigating hardship.

5.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2024. The formal resolution will set out the precepts issued for 2024/25, together with the total tax payable in the city.

6. **Departmental Budget Ceilings**

6.1 Budget ceilings have been prepared for each service, calculated as follows:

(a) The starting point is last year’s budget, subject to any changes made since then which are permitted by the constitution (e.g. virement);

(b) An allowance is made for non-pay inflation on a restricted number of budgets. Our general rule is that no allowance is made, and departments are expected to manage with the same cash sum that they had in the previous year. Exceptions are made for the budgets for independent sector adult social care (2%) and foster care (2%) but as these areas of service are receiving growth funding, an inflation allowance is merely academic (we pay from one pot rather than another). Budgets for the waste PFI contract have been increased by RPI, in line with contract terms. A sum of £5m has been allocated to reset budgets based on current energy prices.

(c) Unavoidable growth has been built into the budget, as described in the sections below;

(d) As discussed in the summary, action is being taken to reduce budgeted spend, and where decisions have already been taken budget ceilings have been reduced (this process will continue up to approval of the final budget).

6.2 The proposed budget ceilings are set out in Appendix One.

6.3 The local government pay award for 2023/24 was agreed in November 2023. Modelling of the cost suggests it will be an average 6.2% across the Council's (non-schools) employees. For this draft budget, the amount is held in a central provision, but will be added to service budget lines for the final budget. A further central provision is held to fund the 2024/25 pay award, forecast at 5%. Additionally, reflecting the extreme volatility of some budgets, a further £8m has been set aside in a central provision which will only be released if needed.

6.4 The role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. Notwithstanding the way the budget has been constructed, the law does not enable the Council to determine how the City Mayor provides services within these envelopes: this is within his discretion.

Adult Social Care

6.5 Adult social care services nationally have been facing severe cost pressures for some years, and these are expected to continue.

6.6 The demand for service looks to continue accelerating in future years, as a consequence of increases in the level of need of the average care recipient and pressure on providers due to National Living Wage increases, as well as ongoing rising numbers of adults requiring care. For 2024/25 the budget has been increased by £13.7m as a result of these impacts.

6.7 The government has generally responded to growth pressures on an ad-hoc basis, making one-off resources available year by year. Indicative (national) funding totals for 2023/24 and 2024/25 were announced in autumn 2022, and our estimate of our share is included in this draft budget. We have no indication of any further increases in funding.

6.8 The Autumn Statement is on 22nd November 2023, and this report will be further updated with any announced additional funding for pressures in adult social care.

6.9 The proposed budget includes growth of £13.7m in 2024/25 (net of standard inflation of 2%) for the increased costs of packages of support, estimated to rise to £30.5m by 2025/26. The 2024/25 growth takes account of the continuation of the government's discharge and workforce improvement grants totalling £4.6m. However, it is not expected that these grants will increase in 2025/26 hence the larger cost increase in 2025/26.

6.10 In year increases in package costs for people with existing packages of care has been a substantial ongoing budget pressure. Significant work is now being undertaken to reduce future pressures in this area. This work includes reviewing existing working practices and identifying best practice and embedding that across all social work teams together with increasing alternative non-adult social care provision to support increased needs. This includes change and improvement to support designed to reduce people's need for formal care, social work assessment, and commissioning practice. The budget assumes that this work will have a positive impact, but this will be challenging and clearly there remains a risk of exceeding the budget.

Education and Children's Services

6.11 In common with authorities across the country, increased demand for children's social care services has created substantial budget pressure for many years.

6.12 A forecast of placement costs in 2024/25 and 2025/26 has been made, and £17.2m added to the budget for 2024/25. The forecast builds on a budget that is already under pressure (it is expected to overspend in 2023/24). It assumes that non-UASC (unaccompanied asylum seeking children) entrants into the care system continue at the same level as in 2023/24, and that there is further growth in UASC children becoming looked after until the government target of 0.1% of the city 0-17 population is reached. 2023/24 has been notable for the unusually high average placement costs of new entrants. This is as a result of some particular placements requiring high levels of support, together with price pressure from providers.

6.13 Work is continuing to take place to reduce placement costs:

(a) Regular review of long-term, emergency and high cost placements;

(b) Substantial work began in August 2023 with the consultancy firm Impower who were commissioned to undertake an analysis of placements and the match between costs and assessed needs. This helpful analysis of a large cohort of children in higher cost placements (182, 20% of the overall population), has already identified several cohorts of placements that will be the subject of targeted activity to address mismatches in cost versus level of need to generate significant savings. This work will take place in 2023/24 and 2024/25.

(c) An extensive review of our internal resources (fostering and children's homes) to ensure that the capacity and resilience of these are maximised.

(d) Business cases will be put forward for capital investment to expand our internal children's home resources over the next 5 years.

(e) The need to increase the number of foster carers is clear and work is ongoing to make the council website more accessible to attract more enquiries. The training and support levels will also be reviewed to avoid placement breakdown.

(f) A review of council resources deployed to prevent entry into care will also be completed with a view to refocusing/retargeting resources to have greater impact for those children and young people at greater risk of becoming looked after.

(g) A strengthening of the role of commissioning in sourcing placements will also take place and a tighter focus on contract management and capping cost inflation will be deployed to limit the impact of demands by providers for uplifts.

(h) Work with the ICB to agree joint funding solutions for complex, high-need children;

6.14 The budget assumes a lower average placement cost for new entrants in 2024/25. In part this is because of the work outlined above; but also there is a variation in the percentages of different placement types (and therefore average cost) from year to year and therefore it is more appropriate to look at average placement percentages over a longer period to determine future entrance costs to smooth out this variation. There is of course a risk with this approach if a particular variation is a new ongoing trend, but placement cost will continue to be monitored through routine budgetary control reports.

6.15 A further £2.5m has been added to the department's budget. £0.5m of this relates to increasing pressure on legal and translation budgets for children's social care. Legal has had significant difficulties in recruiting permanent staff and has had to rely on locums to meet demand which is more costly.

6.16 £1.4m of the £2.5m is to address the continued pressure on home to school transport budgets mainly for SEND children but also for children looked after. These pressures have been highlighted in the 2023/24 revenue monitoring report which are a result of increasing numbers of pupils with education, health and care plans (EHCPs) requiring transport support and continued price pressure from taxi firms.

6.17 The remaining £0.6m of the £2.5m addresses equally a rising demand for respite payments for disabled children together with a substantial loss of previously traded casework with schools by the Education Welfare service. The DfE have made this work a statutory duty for local authorities and have decided, inexplicably, that the change does not meet the threshold for new burdens funding.

6.18 In addition to the General Fund budget, Dedicated Schools Grant (High Needs Block, HNB) budgets for children and young people with special educational needs and disabilities continue to be under severe pressure. In common with most authorities, the Council has a deficit on its DSG reserve estimated to stand at £11.7m by the end of 23/24 resulting from unavoidable overspends. This is a national issue and in fact, most authorities are in a significantly worse position than Leicester.

6.19 In 2020, the government introduced a statutory override for a period of 3 years to the end of March 2023 which meant that local authorities' DSG deficits could not be funded from their general reserves. The intention was to prevent council tax services being cut to fund these DSG deficits. Of course, whilst this means that the LA does not have to ‘fund’ these deficits on a permanent basis currently, it does have to find the cash to pay for the deficits, meaning the LA’s cash position is lower than it would otherwise be. Following a ‘gathering of evidence’ from LAs in the summer of 2022, government confirmed in the local government finance policy statement published in December 2022, that the statutory override would be extended for a further 3 years to end in March 2026. This budget has been prepared on the basis of that extension.

6.20 In keeping with other local authorities we have prepared a draft deficit recovery plan, which all authorities with deficits are required to do. We are currently still in discussion with the DfE regarding the details of the plan, however the DfE have confirmed that it is not currently their intention to put Leicester into one of their two intervention programmes – the ‘delivering better value’ programme or the ‘safety valve’ programme. Leicester is however part of the ‘SEND and alternative provision change programme partnership’ with LLR and the DfE which begins late 2023. This DfE funded programme is intended to allow local authorities to ‘road test’ the ideas and approaches outlined in the DfE’s SEND improvement plan to bring high needs costs under control alongside wider SEND system reform.

6.21 The main issue for Leicester is the step change in demand for EHCPs post pandemic. Numbers of plans agreed have doubled since the years immediately prior to the pandemic. We need a system wide change to address this which, whilst still recognising the child’s needs, means that those needs can be addressed to a much greater extent within existing resources within mainstream settings. This will require a culture change and the adoption of the best practice for inclusivity across all schools.

City Development and Neighbourhoods

6.22 Homelessness is currently a significant pressure in 2023/24, as a consequence of insufficient homes being available for rent at or below the level of the local housing allowance, meaning more families cannot afford a roof over their heads. This will be compounded by the Government’s plans to fast-track the cases of asylum seekers currently being housed in hotels in the city.

6.23 Growth of £5m has been added to the budget to meet costs of accommodation for increasing numbers of families presenting as homeless. This remains a high risk area – if demand continues to increase at current rates, further growth will be required. There is a plan to address the needs of homeless families through the Housing Revenue Account, which will provide partial relief.

6.24 Other areas of the department’s budget are relatively predictable (compared with social care and homelessness services), and the department is expected to be able to live within its resources.

Health and Wellbeing

6.25 The division, together with a number of services provided by other departments, is paid for from the public health grant. This grant is ring-fenced for defined public health purposes wherever they are provided in the Council. General Fund monies have also been spent on public health services, both before and after 2013/14 when the function transferred from the NHS.

6.26 The future of public health grant is unclear. It is not known whether it will remain as a separate grant when local government funding reforms are eventually introduced: previous proposals have suggested it will be included in general funding arrangements.

6.27 The department is able to live within its resources in 2024/25, and no budget growth is proposed.

Corporate Resources Department

6.28 The department primarily provides internal support services together with leading on good corporate governance, but also some public facing services such as benefits, collection of council tax, customer contact and sports services. The department has made considerable savings in recent years in order to contribute to the Council's overall savings targets. It has nonetheless achieved a balanced budget each year.

6.29 Whilst the budget is broadly balanced, a number of factors may lead to budget pressures in the department, most notably in respect of the cost of living crisis affecting demand for Revenues & Benefits and Customer Services; and pressures in Legal Services.

7. Corporately held Budgets and Provisions

7.1 In addition to the services' budget ceilings, some budgets are held corporately. These are described below.

7.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending, less interest received on balances held by the council. The net cost has reduced recently due to increasing interest rates leading to better returns on balances (while the majority of our borrowing is on fixed rates and is not affected by interest rate variations in the short term). As we spend our reserves, however, interest on balances will fall. As shown in the Treasury Management Strategy (elsewhere on your agenda) it is likely we will need to borrow in 2024/25, and these costs are reflected in the budget.

7.3 **Miscellaneous central budgets** include external audit fees, pension costs of some former staff, levy payments to the Environment Agency, bank charges, general insurance costs, money set aside to assist council tax payers suffering hardship and other sums it is not appropriate to include in service budgets. These budgets are partially offset by the effect of recharges from the general fund into other statutory accounts of the Council.

8. **Resources**

8.1 At the time of writing, the local government finance settlement for 2024/25 has not been published. Current estimates of government funding we will receive are therefore based on information included in the government's fiscal statements, and are liable to change.

8.2 The majority of the council's core funding comes from business rates; government grant funding; and council tax. Service-specific sources of funding, such as fees & charges and specific grants, are credited to the relevant budget ceilings, and are part of departmental budgets.

Business rates and core grant funding

8.3 Local government retains 50% of business rates collected locally, with the balance being paid to central government. In recognition of the fact that different authorities' ability to raise rates do not correspond to needs, there are additional elements of the business rates retention scheme: a top-up to local business rates, paid to authorities with lower taxbases, and Revenue Support Grant (RSG).

8.4 Government decisions in recent years have reduced the amount of rates collected from businesses, by limiting annual increases in the multiplier used to calculate rates and by introducing reliefs for various classes of business. The government's practice is to compensate authorities for lost income due to changes to the scheme. So many changes have been made in recent years that by 2023/24 compensation made up around a third of the "rates" income received by the Council. The complexity of these changes, and the fact that a single ratepayer may be affected bv several overlapping changes, makes it difficult to accurately estimate rates income; the estimates in this draft report are the best we can make at present. In practice, we believe that the system of business rates is becoming unsustainable in its current form.

8.5 The figures in the draft budget assume no significant growth or decline in "rates" from the current position, apart from inflationary increases. In effect, we are assuming we will get £ for £ compensation for all changes the Government is making which affect payable rates (which is likely). These figures will be revised for the final budget to be approved in February.

8.6 The majority of other funding streams in previous budgets, including the New Homes Bonus and Services Grant, have been sharply cut in recent years.

Council tax

8.7 Council tax income is estimated at £153.6m in 2024/25, based on an assumed tax increase of just below 5% (the maximum allowed without a referendum). The proposed tax increase includes an additional "social care levy" of 2%, designed to help social care authorities mitigate the growing costs of social care. Since our tax base is relatively low for the size of population, the levy raises just £2.9m per year.

8.8 The estimated council tax base has remained largely flat since last year's budget; this appears to be the result of slower housebuilding numbers, and a growing number of exempt properties (mostly student accommodation).

8.9 It is proposed that no changes to the council tax support scheme are made in 2024/25, but we intend to consult on a "banded scheme" to be introduced in 2025/26. Such a scheme works by placing claimants' weekly income into a band. Council tax support is awarded by reference to the band, without differentiation. If a claimant's income changes, no recalculation of support is required unless the change is significant enough to place them in a different band. Claimants benefit from such a scheme as they know in advance what support they will get from month to month, and our own administration process would be simpler. The scheme can be devised so that certain types of income are disregarded to protect the most vulnerable customers (e.g. disability living allowance or personal independence payments). Significantly, the approach provides more flexibility when seeking to achieve savings. It allows for local priorities to be considered, and the effects forecast: following analysis an informed decision can be reached. The current model does not facilitate this.

Other grants

8.10 The majority of grant funding is treated as income to the relevant service departments and is not shown separately in the table at paragraph 4.1. The most substantial grant held corporately is the **Social Care Grant**, which has been provided each year since 2016/17 to reflect national cost and demographic pressures. It has been increased several times since then, and is now a significant amount. In 2023/24, our share of this funding was over £28m, and a further increase is planned for 2024/25. We do not yet know how this will be allocated to authorities; the budget assumes a share similar to previous social care funding allocations.

Collection Fund surplus / deficit

8.11 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.

8.12 The Council has an estimated **council tax collection fund deficit** of £1.0m, after allowing for shares to be paid by the police and fire authorities. This largely relates to numbers of exempt properties being higher than expected when the budget was set.

8.13 The Council has an estimated **business rates collection fund surplus** of £1.6m. Because of changes to reliefs in recent years that were funded by government grants, the actual collection fund position is distorted and various technical accounting adjustments (that will balance out over the years) are required.

9. Managed Reserves Strategy

9.1 Since 2013, the Council has employed a managed reserves strategy, contributing money to reserves when savings are realised and drawing down reserves when needed. This policy has bought time to more fully consider how to make the recurrent cuts which have been necessary in nearly every budget year.

9.2 As at April 2023, resources available for the strategy totalled £65.8m. A significant proportion of this will be required to balance the budget in the current financial year. A review of one-off resources available has identified £8.5m that can be released from the capital reserve to support the revenue budget.

9.3 Unless further savings are found, or the Government provides more money, the draft budget will require £52.0m of support from reserves in 2024/25, which exceeds the amount available, and will require the use of the General Fund emergency balance. This also leaves no resources to offset pressures in 2025/26, and indicates that a section 114 report will become a probability:

	£m
Available to support budget as at 1/4/2023	65.8
Additional funding identified	8.5
Estimated amount Required in 2023/24	(30.7)
Estimated amount required for 2024/25 budget	(52.5)
Shortfall for 2024/25 to be funded from Emergency Balance	**(8.9)**

9.4 The Council has long held a £15m minimum working balance of reserves (the emergency pot). As can be seen, we look set to draw from this reserve in 2024/25.

10. Earmarked Reserves

10.1 In addition to our general reserves, the Council also holds earmarked reserves which are set aside for specific purposes. These include ringfenced funds which are held by the Council but for which we have obligations to other partners or organisations; departmental reserves, which are held for specific services; and corporate reserves, which are held for purposes applicable to the organisation as a whole.

10.2 A review of earmarked reserves is being finalised to identify any that can be released to minimise the call on the General Fund Emergency Balance for 2024/25. The final report will include a summary of earmarked reserves currently held, as well as their planned usage.

10.3 The planned use of earmarked reserves will be monitored through the regular revenue budget monitoring process, and reported to members throughout each financial year.

11. **<u>Budget and Equalities</u>**

11.1 The Council is committed to promoting equality of opportunity for its residents; both through its policies aimed at reducing inequality of outcomes, and through its practices aimed at ensuring fair treatment for all and the provision of appropriate and culturally sensitive services that meet local people's needs.

11.2 In accordance with section 149 of the Equality Act 2010, the Council must "have due regard", when making decisions, to the need to meet the following aims of our Public Sector Equality Duty :-

(a) eliminate unlawful discrimination;

(b) advance equality of opportunity between those who share a protected characteristic and those who do not;

(c) foster good relations between those who share a protected characteristic and those who do not.

11.3 Protected groups under the public sector equality duty are characterised by age, disability, gender reassignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.

11.4 When making decisions, the Council (or decision maker, such as the City Mayor) must be clear about any equalities implications of the course of action proposed. In doing so, it must consider the likely impact on those likely to be affected by the recommendation; their protected characteristics; and (where negative impacts are anticipated) mitigating actions that can be taken to reduce or remove that negative impact.

11.5 The budget does not propose any service changes which will have an impact on residents. Where appropriate, an individual Equalities Impact Assessment for any service changes will be undertaken when these decisions are developed.

11.6 The budget does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2024/25 is £1,924.63, an increase of just below 5% compared to 2023/24. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This includes the potential impacts of alternative options.

11.7 A number of risks to the budget are addressed within this report (section 12 below). If these risks are not mitigated effectively, there could be a disproportionate impact on people with particular protected characteristics and therefore ongoing consideration of the risks and any potential disproportionate equalities impacts, as well as mitigations to address disproportionate impacts for those with particular protected characteristics, is required.

12. **Risk Assessment and Estimates**

12.1 Best practice requires me to identify any risks associated with the budget, and Section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.

12.2 This requires a judgement to be made, which is now hard given the volatility of some elements of the budget and the depletion of our reserves. In practice, the budget is replete with risk.

12.3 The most significant issue in developing the 2024/25 budget has been ongoing cost pressures in demand-led service areas, particularly social care and support for homeless households. These have risen very steeply during 2023/24 and there is no guarantee this will not happen again.

12.4 Setting the final budget will also depend on the funding settlement from central government, expected in December, current indications are that there is no additional grant funding for local authorities.

12.5 The budget seeks to manage these risks as follows:

(a) £6m of emergency balances remain;

(b) A provision for demographic pressures of £8m per year has been included in the budget;

(c) In theory, the Council can also draw on the capital finance reserve. This is essentially a capital resource that has been "switched" with revenue (behind the scenes) over many years, in part to provide flexibility for times such as these. Using it would, however, force us to cut the approved capital programme or borrow, leading to future revenue cost, so it must be seen very much as a last resort.

12.6 Subject to the above comments, I believe our reserves can just about be considered adequate and that the estimates made in preparing the budget are sufficiently robust to allow the budget to be approved. If demand pressures again rise in the way that they have in 2023/24, I will need to consider whether section 114 of the Local Government Finance Act, 1988, requires me to write a formal report on the basis that our spending is likely to exceed our resources. In practice, this is more likely to be a consideration in respect of the 2025/26 budget.

12.7 Looking further ahead, we need to identify and approve options for further savings (and to reduce growth) so that we can ensure we are financially sustainable beyond 2024/25. Work to identify options is taking place, but we will need to delve more deeply than we have ever had to before.

13. **Financial, Legal and Other Implications**

13.1 **Financial Implications**

This report is exclusively concerned with financial issues.

13.2 **Legal Implications** ***[to follow]***

Budget Ceilings (provisional)

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non-Pay Inflation £000's	**24/25 budget ceiling £000's**
1. City Development & Neighbourhoods					
1.1 Neighbourhood & Environmental Services					
Divisional Management	243.0				**243.0**
Regulatory Services	2,008.8	(318.0)			**1,690.8**
Waste Management	22,915.3	(135.0)		262.8	**23,043.1**
Parks & Open Spaces	4,734.1	(573.4)			**4,160.7**
Neighbourhood Services	5,827.5	(153.0)			**5,674.5**
Standards & Development	1,694.2	(185.8)			**1,508.4**
Divisional sub-total	**37,422.9**	**(1,365.2)**	**0.0**	**262.8**	**36,320.5**
1.2 Tourism, Culture & Inward Investment					
Arts & Museums	3,726.6	(71.0)			**3,655.6**
De Montfort Hall	461.4	(25.0)			**436.4**
City Centre	26.0				**26.0**
Place Marketing Organisation	39.4				**39.4**
Economic Development	64.8				**64.8**
Markets	(286.5)	(30.0)			**(316.5)**
Adult Skills	(861.2)				**(861.2)**
Divisional Management	186.6	(32.0)			**154.6**
Divisional sub-total	**3,357.1**	**(158.0)**	**0.0**	**0.0**	**3,199.1**
1.3 Planning, Transportation & Economic Development					
Transport Strategy	9,802.6	(605.0)			**9,197.6**
Highways	2,887.5	(83.0)			**2,804.5**
Planning	1,123.0	(40.0)			**1,083.0**
Divisional Management - PDT	141.5				**141.5**
Divisional sub-total	**13,954.6**	**(728.0)**	**0.0**	**0.0**	**13,226.6**
1.4 Estates & Building Services	**4,860.5**	**(1,004.7)**	**0.0**	**0.0**	**3,855.8**
1.5 Housing Services	**4,449.0**	**(542.0)**	**5,000.0**	**0.0**	**8,907.0**
1.6 Departmental Overheads	**575.4**	**0.0**	**0.0**	**0.0**	**575.4**
DEPARTMENTAL TOTAL	**64,619.5**	**(3,797.9)**	**5,000.0**	**262.8**	**66,084.4**

Budget Ceilings (provisional)

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non-Pay Inflation £000's	24/25 budget ceiling £000's
2.Adults					
2.1 Adult Social Care & Safeguarding					
Other Management & support	764.8				**764.8**
Safeguarding	242.1				**242.1**
Preventative Services	5,141.7				**5,141.7**
Independent Sector Care Package Costs	153,472.2		13,664.0	2,723.1	**169,859.3**
Care Management (Localities)	10,528.8				**10,528.8**
Divisional sub-total	**170,149.6**	**0.0**	**13,664.0**	**2,723.1**	**186,536.7**
2.2 Adult Social Care & Commissioning					
Enablement & Day Care	3,076.0	(813.0)			**2,263.0**
Care Management (LD & AMH)	5,324.8				**5,324.8**
Preventative Services	719.5				**719.5**
Contracts,Commissioning & Other Suppor	6,580.5				**6,580.5**
Departmental	(34,309.4)				**(34,309.4)**
Divisional sub-total	**(18,608.6)**	**(813.0)**	**0.0**	**0.0**	**(19,421.6)**
DEPARTMENT TOTAL	**151,541.0**	**(813.0)**	**13,664.0**	**2,723.1**	**167,115.1**
3. Education & Children's Services					
3.1 Strategic Commissioning & Business Support	**2,239.3**	**0.0**	**0.0**	**0.0**	**2,239.3**
3.2 Learning Quality & Performance					
Raising Achievement	393.8				**393.8**
Learning & Inclusion	1,363.6				**1,363.6**
Special Education Needs and Disabilities	17,828.4		1,400.0		**19,228.4**
Divisional sub-total	**19,585.8**	**0.0**	**1,400.0**	**0.0**	**20,985.8**
3.3 Children, Young People and Families					
Children In Need	15,358.7		600.0		**15,958.7**
Looked After Children	44,287.1	(155.0)	17,200.0	214.1	**61,546.2**
Safeguarding & QA	2,595.3	(18.0)	500.0		**3,077.3**
Community Safety	809.5	(160.0)			**649.5**
Early Help Targeted Services	4,897.0	(2,000.0)			**2,897.0**
Early Help Specialist Services	3,667.7				**3,667.7**
Divisional sub-total	**71,615.3**	**(2,333.0)**	**18,300.0**	**214.1**	**87,796.4**
3.4 Departmental Resources	**1,537.3**	**0.0**	**0.0**	**0.0**	**1,537.3**
DEPARTMENTAL TOTAL	**94,977.7**	**(2,333.0)**	**19,700.0**	**214.1**	**112,558.8**

APPENDIX 1

Budget Ceilings (provisional)

	2023/24 latest budget £000's	Savings £000's	Growth Planned in Budgets £000's	Non-Pay Inflation £000's	24/25 budget ceiling £000's
4. Health and Wellbeing					
Adults' Services	9,001.6				**9,001.6**
Children's 0-19 Services	9,289.5				**9,289.5**
Lifestyle Services	1,257.3				**1,257.3**
Staffing & Infrastructure& Other	2,595.4				**2,595.4**
Sports Services	2,552.5	(390.0)			**2,162.5**
DEPARTMENT TOTAL	**24,696.3**	**(390.0)**	**0.0**	**0.0**	**24,306.3**
5. Corporate Resources Department					
5.1 Delivery, Communications & Political Governanc	**5,408.4**	**(116.0)**	**0.0**	**0.0**	**5,292.4**
5.2 Financial Services					
Financial Support	4,865.5	(205.0)			**4,660.5**
Revenues & Benefits	7,590.5	(1,100.0)			**6,490.5**
Divisional sub-total	**12,456.0**	**(1,305.0)**	**0.0**	**0.0**	**11,151.0**
5.3 Human Resources	**3,880.1**	**0.0**	**0.0**	**0.0**	**3,880.1**
5.4 Information Services	**10,734.2**	**0.0**	**0.0**	**0.0**	**10,734.2**
5.5 Legal Services	**3,751.2**	**(200.0)**	**400.0**	**0.0**	**3,951.2**
Legal Services					
DEPARTMENTAL TOTAL	**36,229.9**	**(1,621.0)**	**400.0**	**0.0**	**35,008.9**
TOTAL -Service Budget Ceilings	**372,064.4**	**(8,954.9)**	**38,764.0**	**3,200.0**	**405,073.5**
Note					
less Public Health grant					(29,564.8)
Service expenditure as at paragraph 4.1					375,508.7

APPENDIX 2

Scheme of Virement

1. This appendix explains the scheme of virement which will apply to the budget, if it is approved by the Council.

   Budget Ceilings

2. Directors are authorised to vire sums within budget ceilings without limit, providing such virement does not give rise to a change of Council policy.

3. Directors are authorised to vire money between any two budget ceilings within their departmental budgets, provided such virement does not give rise to a change of Council policy. The maximum amount by which any budget ceiling can be increased or reduced during the course of a year is £500,000. This money can be vired on a one-off or permanent basis.

4. Directors are responsible, in consultation with the appropriate Assistant Mayor if necessary, for determining whether a proposed virement would give rise to a change of Council policy.

5. Movement of money between budget ceilings is not virement to the extent that it reflects changes in management responsibility for the delivery of services.

6. The City Mayor is authorised to increase or reduce any budget ceiling. The maximum amount by which any budget ceiling can be increased during the course of a year is £5m. Increases or reductions can be carried out on a one-off or permanent basis.

7. The Director of Finance may vire money between budget ceilings where such movements represent changes in accounting policy, or other changes which do not affect the amounts available for service provision.

8. Nothing above requires the City Mayor or any director to spend up to the budget ceiling for any service.

   Corporate Budgets

9. The following authorities are granted in respect of corporate budgets:

   (a) the Director of Finance may incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;

   (b) the Director of Finance may allocate the provision for pay awards;

   (c) The City Mayor may determine how the demographic pressures contingency can be applied.

   Earmarked Reserves

10. Earmarked reserves may be created or dissolved by the City Mayor. In creating a reserve, the purpose of the reserve must be clear.

11. Directors may add sums to an earmarked reserve, from:

    (a) a budget ceiling, if the purposes of the reserve are within the scope of the service budget;

    (b) year-end budget underspends, subject to the approval of the City Mayor.

12. Directors may spend earmarked reserves on the purpose for which they have been created, but must obtain the agreement of the Director of Finance before the spend is committed.

13. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.

Equality Impact Assessment

1. **Purpose**

1.1 This appendix presents the equalities impact of a proposed 4.99% council tax increase. This includes a precept of 2% for Adult Social Care, as permitted by the Government without requiring a referendum.

1.2 The alternative option for comparison is a freeze on council tax at 2023/24 levels. It would of course be possible to set a council tax increase between these two levels, or indeed to *reduce* the Band D tax.

2. **Who is affected by the proposal?**

2.1 As at October 2023, there were 132,019 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).

2.2 All non-exempt working age households in Leicester are required to contribute towards their council tax bill. Our current council tax support scheme (CTSS) requires working age households to pay at least 20% of their council tax bill and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience.

2.3 Council tax support for pensioner households follows different rules. Low-income pensioners are eligible for up to 100% relief through the CTSS scheme.

3. **How are they affected?**

3.1 The table below sets out the financial impact of the proposed council tax increase on different properties, before any discounts or reliefs are applied. It shows the weekly increase in each band, and the minimum weekly increase for those in receipt of a reduction under the CTSS for working-age households.

Band	No. of Properties	Weekly increase (£)	Minimum Weekly Increase under CTSS (£)
A-	339	0.98	0.20
A	77,914	1.17	0.23
B	26,471	1.37	0.27
C	15,237	1.56	0.47
D	6,504	1.76	0.66
E	3,385	2.15	1.05
F	1,525	2.54	1.44
G	606	2.93	1.84
H	38	3.51	2.42
Total	**132,019**		

3.2 In most cases, the change in council tax (around £1.37 per week for a band B property with no discounts; and just 27p per week if eligible for the full 80% reduction under the CTSS) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.

3.3 Households at all levels of income have seen their real-terms income decline due to cost of living increases, and wages that have failed to keep up with inflation. These pressures are not limited to any protected group; however, there is evidence that low-income families spend a greater proportion of their income on food and fuel (where price rises have been highest), and are therefore more affected by current price increases.

3.4 At the time of writing, it is not clear what level of inflation uplift will be applied to benefits . [NB council and housing association tenants are not affected by this as their rent support is calculated differently and their full rent can be compensated from benefits].

4. Alternative options

4.1 The realistic alternative to a 5% council tax increase would be a lower (or no) increase. It should be noted that the proposed increase is below inflation, and therefore represents a real-terms cut in council tax payable and therefore our income. A reduced tax increase would represent a permanent diminution of our income unless we hold a council tax referendum in a future year. In my view, such a referendum is unlikely to support a higher tax rise. It would also require a greater use of reserves and/or more cuts to services in 2024/25.

4.2 The budget situation is already extremely difficult, and it seems inevitable that further cuts will have severe effects on front-line services. It is not possible to say precisely where these future cuts would fall; however, certain protected groups (e.g. older people; families with children; and people with disabilities) could face disproportionate impacts from reductions to services.

5. Mitigating actions

5.1 The Council has a range of mitigating actions for residents. These include: funding through Discretionary Housing Payments, Council Tax Discretionary Relief and Community Support Grant awards; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the network of food banks in the city; through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles); and through support to social welfare advice services. The "BetterOff Leicester" online tool includes a calculator to help residents to ensure they are receiving all relevant benefits.

5.2 Mitigating actions will be kept under review and updated for the final report to Council in February.

6. What protected characteristics are affected?

6.1 The table below describes how each protected characteristic is likely to be affected by the proposed council tax increase. The table sets out anticipated impacts, along with mitigating actions available to reduce negative impacts.

6.2 Some protected characteristics are not, as far as we can tell, disproportionately affected (as will be seen from the table) because there is no evidence to suggest they are affected differently from the population at large. They may, of course, be disadvantaged if they also have other protected characteristics that are likely to be affected, as indicated in the following analysis of impact based on protected characteristic.

7. Armed Forces Covenant Duty

7.1 The Covenant Duty is a legal obligation on certain public bodies to 'have due regard' to the principles of the Covenant and requires decisions about the development and delivery of certain services to be made with conscious consideration of the needs of the Armed Forces community.

7.2 We have considered the duty and have not identified any direct impacts on armed forces or their families; but will continue to monitor for specific proposals.

APPENDIX 4

Medium Term Financial Outlook 2024/25 – 2026/27

[to follow for final report]

APPENDIX 5

Earmarked Reserves

[to follow for final report]

APPENDIX 6

Council Tax Premiums

[to follow for final report]

Leicester
City Council

MINUTE EXTRACT

Minutes of the Meeting of the
CHILDREN, YOUNG PEOPLE AND EDUCATION SCRUTINY COMMISSION

Held: TUESDAY, 16 JANUARY 2022 at 5:30 pm

PRESENT:

Councillor Batool (Chair)
Councillor Cole (Vice Chair)

Councillor Haq Councillor Dr Moore
Councillor Pantling Councillor Pickering

In Attendance:

Councillor Russell – Deputy City Mayor (Social Care, Health and Community Safety)
Councillor Dempster – Assistant City Mayor (Education, Libraries and Community Centres)

*** ** ***

47. APOLOGIES FOR ABSENCE

Apologies for absence were received form Councillors Barnes and Joshi.

48. DECLARATIONS OF INTEREST

There were no declarations of interest.

53. REVENUE BUDGET

The Director of Finance submitted a report detailing the proposed Revenue Budget for 2024/25.

The Executive member for Social Care, Health and Community Safety introduced the report and noted that the Council was in a serious position financially and there was not enough money to carry out its desired aims. A major issue was private care providers charging high costs for placements that did not necessarily meet the needs of the Children. It was further noted that savings and efficiencies had been made where possible and that government help was unlikely based on the government's approach to Councils who had issued Section 114 notices.

The Head of Finance (Social Care, Public Health, Schools & Corporate Resources) then presented the report.

Key points included:

- The expenditure for 2024/25 would exceed £50m and it would be necessary to make use of reserves to balance the budget.
- Without further saving the need to issue a Section 114 notice would be likely in 2025/26. This would freeze any new financial commitment and would necessitate government intervention.
- Managed reserves would need to be used in full in 2024/25.
- In terms of the outlook beyond 2025/26, whilst public sector expenditure was set to grow overall, increases in areas such as the NHS and defence were such that the IFS (institute for fiscal studies) concluded that areas such as local government funding would see a real terms cut of around 3%.
- In terms of the Children's budget, £17m had been put into the budget for social care and Children Looked After (CLA) costs and £0.5m for legal and translation costs associated with CLA.
- £1.4m had been put into the budget for home-to-school travel for home to school transport for SEND pupils as a result of the increasing numbers of pupils with educational healthcare plans who often need support with transport.
- £0.4m of additional funding had been provided for the educational welfare budget. Changes in legislation meant that previously chargeable casework carried out by the service was now a statutory requirement for which no additional burden funding had been made available from government.
- There were also additional funds for the disabled children's service of £0.2m due to pressures in this service associated with respite costs.
- The Dedicated Schools Grant (DSG) was in deficit due to pressure on the High Needs Block. A deficit of around £12m was predicted by the end of the financial year. This had been driven by the doubling of the number of EHC plans agreed following the Covid-19 pandemic. A deficit recovery plan would be brought to the next scrutiny meeting.

The Committee were invited to ask questions and make comments. Key points included:

- Further growth in numbers of Unaccompanied Asylum-Seeking Children (UASC) had been factored into the Revenue Budget. It was further clarified that the threshold level for the number of UASC to be taken by councils had increased, and the Council were not yet near this threshold level and were still expected by the government to take on a further 28 UASC. Demand on certain authorities had led to a scheme to redistribute UASC across Local Authorities and whilst the government had attempted to incentivise Local Authorities with extra money to support delivery through a daily allowance, this did not meet the costs of placements. Additionally, it was explained that some UASC reached the age of 18 without a decision being made on their case. In these instances, the Council still had responsibility for them until the decision was made. It was forecast that the maximum threshold would be met in the next 12 months. It was assumed that the threshold would be raised again in subsequent years.
- It was noted that there is forecast to be an overspend on CLA costs in 2023/24 which would be funded from reserves. There was some uncertainty with regards the forecast, but they were the best estimates available currently. The average placement cost of care was significantly higher than in previous years and it was uncertain if this would be sustained into next year.
- An organisation known as Impower had been brought in to help with regard to ensuring that providers are not charging for support that was not warranted by the needs of the children. Currently, if a Young Person with the need to become looked after came to the attention of the Council, there was not much choice in terms of placement. Some children needed particular types of placements; however, these were not always available and as such it was necessary to find an alternative and sometimes these placements were not ideal. There was a chronic undersupply in the system and every place approached for placements had interest from other Local Authorities. Since supply had not met demand, costs had increased.
- Impower mapped the needs of CLA against the cost of placements, where there were low needs in high-cost placements and high needs in low-cost placements, providers were challenged, and agencies were worked with to find the most appropriate placements for CLA.
- A review had been carried out on a cohort of 200 Children, of which it was established that 58 could move from high-cost external foster care or residential children's home placements to internal foster care or potentially reunified with their families (including extended family). Of this 58, 20 had been moved into alternative placements and 38 were still to progress.
- Another review had been done of 60 Children and a further 20 were identified as needing a better placement, however, this would depend on availability. A new approach was being developed with a needs map (making use of needs profiles) of what foster carers could do. It would also look at the whole cohort

to identify where resources could be developed to bring children from expensive placements to local placements at reduced costs. Costs would still not be cheap but would be cheaper than private providers.

- All bar one Council-run children's homes were rated good or outstanding and new developments such as Holly House and Hillview would increase capacity. A five-year investment strategy was in development to create five more places per year, saving £30k per annum per placement for an extra 25 young people.
- In-house costs were better known than private costs where profit may be a factor. Additionally, in-house children's homes were better tailored to meet the needs of CLA locally, and whilst they may not be cheaper in the short-term, they would be in the long-term. It was further noted that Leicester City Council had held on to a number of their children's homes whereas other councils were needing to start from scratch.
- EHCP appeals were of significant cost to the Council, and it was key to resolve this with the Department for Education as the need to move placements was costly.
- There was £43m in earmarked reserves to address a gap of £50m in 2024/25. As such the emergency reserves needed to be utilised in order to balance the accounts. Reserves not earmarked were moved to managed reserves as part of the £43m to prop-up next year's budget.
- An update from Impower would be brought to the Commission once available.
- In terms of the 20 children who had been moved to an alternative placement, £748k annualised costs had been saved so far and there were a further 58 placements to review. Theoretically, £15m could be saved based on the full looked-after children population.
- Regarding the control of enforced placement costs, the biggest overspend was on CLA and work was being done to gain control. The government had reviewed the operation of the external market. The market was dysfunctional due to excess profiteering, it had been hoped that the market would fix itself, so no new action was taken by government. Costs were challenged where possible.
- Many private providers had pushed for a 10% uplift on payments last year. Regionally it had been agreed not to pay this. A legal challenge followed. It was hoped to bring such a payment uplift down to 1-2% this year.
- It was recognised that private providers provided jobs to local people.
- Independent fostering was not as profit-orientated as private residential care.
- Regarding the projected increase of UASC, spend would increase as more young people moved into care and the cost would depend on where they were placed and their individual needs. It was noted that the trauma that UASC had endured needed to be recognised and the young people supported appropriately.
- Edge-of-care provision included psychological therapy interventions with specialist teams for abuse and neglect and functional family therapy teams. Professionals were worked with to provide crisis support to families. These approaches were very clearly defined as they were licenced, and as such they had clear eligibility criteria. It was recognised that some on the edge of care

might not be eligible, as such it was considered as to how resources could be used to cover a wider cohort. It was reported that in the last 12 months, around 40 children were worked with and only one of these went into care. Follow-ups were carried out to ensure that the position was sustainable and long-term monitoring of progress was undertaken. Outcomes were tracked over up to five years to monitor effectiveness.

- Reserves had been needed to be used to keep services going, and it was necessary to work with the government to see how to work going forward.
- Numbers of UASC who had their cases denied by the Home Office were unknown. However, in terms of families and adults, there was a streamlined process focussing on six nationalities (Afghanistan, Syria, Iraq, Iran, Eritrea and Yemen), of these, it was expected that 90% would be granted leave to remain as these countries were not seen as safe. There was a second phase of this process looking at other nationalities, and asylum applications in this phase may be less successful. It was thought that the profiles of UASC generally mapped the aforementioned six countries, and as such it was thought that most would be granted leave to remain. Many UASC did not get a decision on their applications until after they had turned 18. If they were not granted leave to remain after turning 18 and lost their appeal, then there was a conflict in legislation as there was a responsibility to get them into accommodation as care-leavers under the Children (Leaving Care) Act 2000 however this could be seen as in conflict with the Illegal Migration Act 2023. Local Authorities were keen to know which act took precedence.

AGREED:

1) That the report be noted.
2) That comments made by members of this commission to be taken into account by the lead officers.
3) That the report be brought to Overview Select Committee prior to Full Council.

MINUTE EXTRACT – ADULT SOCIAL CARE SCRUTINY COMMISSION, 25 JANUARY 2023

6. DRAFT GENERAL FUND BUDGET AND CAPITAL PROGRAMME 2024/25

The Deputy City Mayor for Social Care, Health and Community Safety introduced the item highlighting the significant concerns locally and for other local authorities with responsibility for adult social care across the country in terms of growing needs and challenges to budgets. It was noted health and social care services continue to work together to fulfil the legal duty to meet the needs of residents but there are increasing pressures with a substantial proportion of the budget required to support a small percentage of people in the city.

The Director for Adult Social Care and Safeguarding and Director for Adult Social Care and Commissioning provided a presentation to set the context in which it was noted that:

- Individuals seeking adult social care support and complexity of need has increased nationally. There has also been an increase in number of older people requiring long term care.
- Most local authorities are predicting adult social care will overspend. Social Care reforms were paused and there are no funding solutions proposed to address financial challenges in the sector.
- Benchmarking data illustrates Leicester are supporting a higher proportion of older people resulting in a higher spend for adult social care. Unit costs to pay for services such as home care and supported living compare well to the national average.
- Growth has reduced with alternative support arrangement and less reliance on statutory support – although this is still above proposed budgeted growth. Prevention is important to reducing statutory spend and social care continue to work with the joint integrated board.
- Four key work programmes have been identified to manage demand and associated costs including, reducing the average costs of supplied care packages; reducing the number of new entrants and overall service demand; raising effective productivity levels and improving partnership and stakeholder processes and joint service delivery.

The Head of Finance presented the report, and it was noted that:

- The budget has been managed with reserves in recent years which are expected to run out in 2024/25. Further savings are required, otherwise a Section 114 notice would be likely in 2025/26 as the budget would not balance.
- £14m budget growth is required for adult social care to support the growth in demand and needs with care packages as well as ensuring payment of the national living wage.
- Any additional adult social care funding has been on an ad hoc basis rather than from a systematic reform of the overall funding. Government have indicated increased public sector funding overall from 2025/26 but the institute for fiscal studies have indicated increases for the NHS and defence means

that there is likely to be a reduction in real terms funding for all other areas of expenditure including local government.

- Other budget pressures include £17m growth in children's social care driven by increasing children in care, complexity of need and unaccompanied asylum-seeking children; home to school transport for SEND pupils is also a cost pressure with the number of requests for education, health and care plans doubling since prior to the pandemic; and additional pressures within homeless services requiring spend on temporary accommodation due to lack of affordable rental accommodation.

In response to questions and comments from Members, it was noted that:

- Spend is higher on supporting older people per head of population compared with other local authorities and can be attributed to various reasons. The health and wellbeing survey indicated people are more likely to seek statutory support if they do not have a community network they trust. The health profile of the city requires more people to be supported earlier and for longer due to diabetes and cardiovascular and respiratory conditions etc. As an area of high deprivation, we have less self-funders who pay for their own care, and therefore we see more people seeking support from the Council for their care.
- Prevention is important to manage demand and the budget whilst also recognising the profile of the city with different communities to take a holistic approach to build capacity and resilience. The Authority is looking more widely at how communities can help support residents, for example utilising community connectors and health champions to share information to signpost to services earlier.
- The sector is doing what it can within the constraints of its finances but in reality, the workforce is paid minimum wage and does not have a career structure as seen in health to create opportunities. An open conversation is needed at national level to identify what social care should look like and how it can be adequately and sustainably funded.
- The Government's People at the Heart of Care 10-year plan encouraged innovation and launched the Accelerating Reform Fund to provide local authorities with additional resource. However, this is a limited fund, with final allocations yet to be confirmed, but at best will, equate to £815k over two years across Leicester, Leicestershire & Rutland.
- Plans are in place for the division to review all spending within the budget including programmes to identify good practice and inefficiencies although this is unlikely to be the long-term solution required to address financial challenges. It was agreed that further information can be shared with the Commission in line with budget monitoring.
- An additional £16m (including standard inflation) will be paid to the private care sector for care packages to meet the growth in demand and complexity of need as well ensuring providers pay the national living wage.
- The proposed draft budget includes decisions already taken to make savings, including £300k relating to Hastings Road Day Centre, £300k relating to the enablement service and £213k relating to the employment service.
- The existing capital programme includes the provision for supported living scheme and the Commission requested they be kept informed.

- Reviewing care packages can result in alterations which could impact the budget as individuals receiving care may require additional support, the support may be appropriate, or needs may have improved to not require as much support. Timelier reviews could enable changes to be identified earlier to provide support that does not require use of statutory services, but the team continue to work through the current backlog of reviews given ongoing pressures.
- The proposed council tax adult social care precept will generate around £3m income for 2024/25. Government announced an additional £500m for local authorities which will equate to around £3m locally for 2024/25.

The Chair noted the Commission’s thanks to the continued work of the division to provide services to the most vulnerable in the city despite the increasing financial pressures.

AGREED:

- The Commission noted the report.
- Additional information to be circulated to Members regarding home-to-school transport pressures.
- Further reports to be shared with the Commission regarding budget monitoring.

DRAFT Capital Programme 2024/25

Decision to be taken by: Council

Date of meeting: 21 February 2024

Lead director: Amy Oliver, Director of Finance

Useful information

■ Ward(s) affected: All

■ Report author: Kirsty Cowell

■ Author contact details: Kirsty.Cowell@leicester.gov.uk

■ Report version number: 1.0

1. Summary

1.1 The purpose of this report is to ask the Council to approve a capital programme for 2024/25**.**

1.2 Capital expenditure is incurred on works of lasting benefit and is principally paid for by grant, tenants' rents, and the proceeds of asset sales (capital receipts). Money can also be borrowed for capital purposes, but the scope for this is limited as borrowing affects the revenue budget.

1.3 For the past four years the Council has set a one year capital programme, due to uncertainty over future resources. This uncertainty is greater than it has ever been. This is on account of the following, with the revenue budget being by far the most significant:

- The revenue budget outlook, which requires significant savings
- Volatility and inflationary pressures in the construction industry
- The Council's technical capacity to support a large programme

We are therefore presenting another one year programme, of limited scale. This will enable capacity to be focussed on key schemes and allow time to see the long-term impact of inflation. It has also been designed to avoid putting additional pressure on revenue.

Schemes already approved and in the current programme will continue.

1.4 The report seeks approval to the "General Fund" element of the capital programme, at a cost of £33.1m. In addition to this, the HRA capital programme (which is elsewhere on your agenda) includes works estimated at £25.9m, £15m of which relates to the affordable homes programme.

1.5 The table below summarises the proposed spending for capital schemes starting in 2024/25, as described in this report:-

	£m
Proposed Programme	
Schemes – Summarised by Theme	
Grant Funded Schemes	14.8
Own buildings	5.3
Routine Works	5.9
Match Funding	3.0
Feasibility and Contingencies	4.1
Total New Schemes	**33.1**
Funding	
Unringfenced Resources	31.0
Monies ringfenced to Schemes	2.1
Total Resources	**33.1**

1.6 The table below presents the total spend on General Fund and Housing Revenue Account schemes:

	£m
General Fund	33.1
Housing Revenue Account	25.9
Total	**59.0**

1.7 The Council's total capital expenditure now forecast for 2024/25 and beyond is expected to be around £256m, including the HRA and schemes approved prior to 2024/25.

1.8 The capital programme is split into two parts:-

(a) Schemes which are "**immediate starts**", being schemes which directors have authority to commence once the council has approved the programme. These are fully described in this report;

(b) Schemes which are "**policy provisions**", where the purpose of the funding is described but money will not be released until specific spending proposals have been approved by the Executive.

1.9 Immediate starts have been split into three categories:-

(a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes will be monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);

(b) **Work Programmes** – these consist of minor works or similar schemes where there is an allocation of money to be spent in a particular year;

(c) **Provisions** – these are sums of money set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.

2. Recommendations

2.1 The Council is asked to:-

(a) Approve the capital programme described in this report and summarised at Appendices Two to Five, subject to any amendments proposed by the City Mayor;

(b) For those schemes designated immediate starts, delegate authority to the lead director to commit expenditure, subject to the normal requirements of contract procedure rules, rules concerning land acquisition and finance procedure rules;

(c) Delegate authority to the City Mayor to determine a plan of spending for each policy provision, and to commit expenditure up to the maximum available;

(d) For the purposes of finance procedure rules:

- Determine that service resources shall consist of service revenue contributions; HRA revenue contributions; and government grants/third party contributions ringfenced for specific purposes (but see below for LLEP investment programmes);

- Designate the operational estate & children's capital maintenance programme, highways maintenance programme and transport improvement programme as programme areas, within which the director can reallocate resources to meet operational requirements.

(e) As in previous years, delegate to the City Mayor:

- Authority to increase any scheme in the programme, or add a new scheme to the programme, subject to a maximum of £10m corporate resources in each instance;
- Authority to reduce or delete any capital scheme, subject to a maximum reduction of 20% of scheme value for "immediate starts"; and
- Authority to transfer any "policy provision" to the "immediate starts" category.

(f) In respect of Government investment programmes for which the Council receives grant as the accountable body to the Leicester and Leicestershire Enterprise Partnership (LLEP) (or which the Council receives in its own right as part of the Government's policy to cease funding via LLEPs) :-

- Delegate to the City Mayor approval to accept Government offers of funding, and to add this to the capital programme;
- Delegate to the Strategic Director, City Development and Neighbourhoods, in consultation with the Director of Finance, authority to allocate the funding to individual schemes (in effect, implementing decisions of the LLEP whilst the LLEP continues to make them);
- Agree that City Council schemes funded by the programme can only commence after the City Mayor has given approval;
- Delegate to the Director of Finance authority to reallocate programme funding between schemes, if permissible, to ensure the programme as a whole can be delivered; and
- Note that City Council contributions to schemes will follow the normal rules described above (i.e. nothing in this paragraph permits the City Mayor to supplement the programme with City Council resources outside of normal rules).

(g) Delegate to directors, in consultation with the relevant deputy/assistant mayor, authority to incur expenditure up to a maximum of £250k per scheme in respect of policy provisions on design and other professional fees and preparatory studies, but not any other type of expenditure;

(h) Approve the capital strategy at Appendix 6.

3. Proposed Programme

Key Policy Issues

3.1 The key focus of the 2024/25 capital programme is to deliver strategic objectives as far as possible. It is a limited one year programme, but nonetheless complements the existing programme and aims to support the City Mayor's delivery plan. However, the main constraint is to protect the revenue budget as far as possible.

3.2 The programme supports the Council's commitment to tackling the climate emergency, most obviously but not exclusively within the Transport Improvement Works, Operational Estate and Children's capital maintenance programmes.

Resources

3.3 Resources available to the programme consist primarily of Government grant and capital receipts (the HRA programme is also supported by tenants' rent monies). Most grant is unringfenced, and the Council can spend it on any purpose it sees fit.

3.4 Appendix One presents the resources required to fund the proposed programme, which total some £33.1m. The key unringfenced funding sources are detailed below.

(a) £5.4m of general capital receipts. At the time of writing, this includes £2.8m of receipts already received, It has been our previous policy to budget for capital receipts only when they are received, but pressure on resources is currently such that a further £2.5m has been targeted for delivery before the end of 2024/25;

(b) £13.0m of unringfenced grant funding. Some of these figures are estimated in the absence of actual allocations from the Government (the figure for 2025/26 represents a first call on that year to enable school schemes to be planned); and

(c) £12m of resources brought forward, consisting of money set aside in previous years for, insurance claims no longer required, savings from uncommitted policy provisions, savings from completed programmes and previous years' underspends.

3.5 For some schemes the amount of unringfenced resources required is less than the gross cost of the scheme. This is because resources are ringfenced directly to individual schemes. Ringfenced resources are shown throughout Appendix Two and include the following:

(a) Government grant and contributions made to support the delivery of specific schemes;

(b) £150,000 of borrowing. Because borrowing has an impact on the revenue budget, it is only used for reasons detailed in capital strategy at Appendix 6 of this report. The only borrowing in this programme is to support purchase of grounds maintenance equipment, for which there is revenue provision (previously, equipment would have been leased, but borrowing is cheaper).

3.6 Only funding required to finance the schemes in this capital programme is included.

3.7 Finance Procedure Rules enable directors to make limited changes to the programme after it has been approved. For these purposes, the Council has split resources into corporate and service resources. These are similar to, but not quite the same as, ringfenced and unringfenced resources. Whilst all unringfenced resources are corporate, not all ringfenced monies are service resources. Borrowing, for instance, is treated as a corporate resource requiring a higher level of approval.

3.8 Directors have authority to add schemes to the programme, provided they are funded by service resources, up to an amount of £250,000. This provides flexibility for small schemes to be added to the programme without a report to the Executive.

Proposed Programme

3.9 The whole programme is summarised at Appendix 2. Responsibility for the majority of projects rests with the Strategic Director of City Development and Neighbourhoods.

3.10 £14.9m is provided for grant funded schemes. These schemes are funded either from unringfenced grant (where we have discretion) and ringfenced resources.

(a) £7.1m has been provided to continue with the **Schools Capital Improvements Programme.** The programme will include routine maintenance and spending is prioritised to reflect asset condition and risk. This will be a two year programme to allow for better forward planning. The proposed programme is shown at Appendix 5: detailed schemes will be developed following consultation with schools.

(b) £3.3m is provided as part of the continued **Highway Capital Maintenance Programme**. This is a rolling annual programme and spending is prioritised to reflect asset condition, risk and local neighbourhood priorities. The proposed programme is shown at Appendix 4.

(c) £2.6m is provided in 2024/25 to continue the rolling programme of works constituting the **Transport Improvement Programme**.

Some of the priority areas include:

- Delivering cross cutting cycling, walking and public transport benefits
- Local safety schemes
- 20mph schemes in Neighbourhoods
- Delivery of the Local Transport Plan

(d) £1.9m has been provided for **Disabled Facilities Grants** to private sector householders which is funded by government grant. This is an annual programme which has existed for many years. These grants provide funding to eligible disabled people for adaption work to their homes, and help them maintain their independence.

3.11 £5.3m is provided for the Council's own buildings.

(a) £2.5m has been provided to support the annual **Operational Estate Capital Maintenance Programme** of works to properties that the Council occupies for its own use. This is a rolling annual programme and spending is prioritised to reflect asset condition and risk. The proposed programme is shown at Appendix 3 but may vary to meet emerging operational requirements.

(b) £1.5m is provided for the **Corporate Estate** to support the council's property portfolio.

(c) £1.0m has been provided for council owned **Leisure Centres** for the refurbishment and improvements to changing facilities.

(d) £0.2m has been provided to support the **Depot Relocation** project which will result in a centralised location for the parks depot.

(e) £0.1m has been provided for relocation of the **Pest & Dogs Depot** to an existing depot to enable the disposal of its current premises.

3.12 £5.9m is provided for Routine Works.

(a) £3.8m has been made available for the annual **Fleet Replacement Programme.** Wherever possible, ultra-low emission vehicles (ULEVs) will be sought to support the Council's climate emergency response.

(b) £0.4m has been provided for **Local Environmental Works** in wards. This scheme will focus on local neighbourhood issues including residential parking, local safety concerns, pedestrian routes, cycleways and community lighting to be delivered after consultation with ward members.

(c) £0.3m is provided for **Grounds Maintenance Equipment** of which £0.2m is funded by prudential borrowing and £0.1m funded by corporate resources. This scheme is to replace ageing machinery with up to date, energy efficient models. The replacement of this equipment is met from borrowing, and a revenue budget exists for this purpose.

(d) £0.3m has been provided for the **Growing Spaces** project for the development and improvement of community gardens and allotments across the city.

(e) £0.3m is provided to continue the **Flood Risk Prevention** scheme into 2024/25. The programme supports the local flood risk management strategy and action plan, and the delivery of our statutory role to manage and reduce flood risk in collaboration with the Environment Agency & Severn Trent Water.

(f) £0.2m is provided for **Foster Care Capital Contribution Scheme** to support foster carers with alterations to their property to allow fostered children to remain living with their carers or to increase the capacity to look after more children**.**

(g) £0.2m has been provided for the **Front Walls Enveloping** Scheme and is a continuation of previous schemes. It involves the enclosure of small spaces in front of housing. Enveloping schemes can make a significant improvement to local neighbourhoods and enable occupiers to tend house fronts more effectively.

(h) Following the success of the current scheme, £0.2m has been put aside for the extension of the **Heritage Interpretation Panels Programme**. This scheme uses digital technology to interpret heritage stories in new ways, e.g. via mobile devices.

(i) £0.1m has been provided for a **Historic Building Grant Programme**. This will provide match funding to city residents and organisations to support the repair of historic buildings and the reinstatement of lost original historic features.

(j) £0.1m is included as part of the continued programme to refresh **Festival Decorations**.

3.13 £7.1m is provided for feasibility and contingencies:

(a) £3.0m is provided for **Match Funding** for new government programmes.

(b) A **Programme Contingency** of £3.0m has been set aside for cost pressures arising from construction inflation, or (if not needed for this purpose) for any emerging capital needs.

(c) £1.1m is provided for **Feasibility Studies**. This will enable studies to be done, typically for potential developments not included elsewhere in the programme or which might attract grant support.

<u>Proposed Programme – Policy Provisions</u>

3.14 Policy provisions are sums of money which are included in the programme for a stated purpose, but for which a further report to the Executive (and decision notice) is required before they can be spent. Schemes are usually treated as policy provisions because the Executive needs to see more detailed spending plans before full approval can be given.

3.15 Executive reports seeking approval to spend policy provisions must state whether schemes, once approved, will constitute projects, work programmes or provisions; and, in the case of projects, identify project outcomes and physical milestones against which progress can be monitored.

3.16 Where a scheme has the status of a policy provision, it is shown as such in the appendix.

Capital Strategy

3.17 Local authorities are required to prepare a capital strategy each year, which sets out our approach for capital expenditure and financing at high level.

3.18 The proposed capital strategy is set out at Appendix 6.

4. Financial, legal, equalities, climate emergency and other implications

4.1 Financial implications

4.1.1 This report is exclusively concerned with financial matters.

4.1.2 There is proposed prudential borrowing in the programme for replacement grounds maintenance machinery for £150k. The anticipated revenue costs arising will be £34k per year, for which revenue budget exists. Conversely, the scheme to make improvements to foster carers' homes is expected to secure revenue savings.

4.2 Legal implications

4.2.1 As the report is exclusively concerned with financial matters, there are no direct legal implications arising from the report. In accordance with the constitution, the capital programme is a matter that requires approval of full Council. The subsequent letting of contracts, acquisition and/or disposal of land etc all remain matters that are executive functions and therefore there will be the need to ensure such next steps have the correct authority in place prior to proceeding. There will be procurement and legal implications in respect of individual schemes and client officers should take early legal advice.

Kamal Adatia, City Barrister & Head of Standards

4.3 Equalities implications

4.3.1 Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

4.3.2 Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

4.3.3 People from across all protected characteristics will benefit from the improved public realm arising from the proposed capital programme. However, as the proposals are developed and implemented, consideration should continue to be given to the equality impacts of the schemes in question, and how they can help the Council to meet the three aims of the PSED.

4.3.4 The capital programme includes schemes which improve the city's infrastructure and contribute to overall improvement of quality of life for people across all protected characteristics. By doing so, the capital programme promotes the PSED aim of fostering good relations between different groups of people by ensuring that no area is disadvantaged compared to other areas as many services rely on such infrastructure to continue to operate.

4.3.5 Some of the schemes focus on meeting specific areas of need for a protected characteristic: Disabled Facilities Grants (disability), and the Children's Capital Improvement Programme (age).

4.3.6 Other schemes target much larger groups of people who have a range of protected characteristics reflective of the diverse population within the city. Some schemes are place specific and address environmental issues that also benefit diverse groups of people. The delivery of the capital programme contributes to the Council fulfilling our PSED. For example, schemes which support people in being able to stay in their homes, to continue to lead independent lives, and to participate in community life help promote equality of opportunity, another one of the aims of the PSED.

4.3.7 Where there are any improvement works to buildings or public spaces, considerations around accessibility (across a range of protected characteristics) must influence design and decision making. This will ensure that people are not excluded (directly or indirectly) from accessing a building, public space, or service, based on a protected characteristic. All schemes should consider the PSED and conducting Equality Impact Assessments where relevant to inform the process.

Kalvaran Sandhu, Equalities Manager

4.4 Climate Emergency implications

4.4.1 The Council declared a climate emergency in February 2019 and is delivering its Climate Emergency Strategy & Action Plan, which sets an ambition for the council and city to achieve net zero carbon emissions. The council is one of the largest employers and landowners in the city, with a carbon footprint of 16,415 tCO_2e from its own operations in 2022/23. The council therefore has a vital role to play in reducing emissions from its operations, working with its partners and leading by example on tackling the climate emergency in Leicester. The report notes the importance of tackling the climate emergency through the capital programme, with a number of the projects outlined directly playing a positive role in reducing carbon emissions in the city.

4.4.2 There is not sufficient information within this report to provide specific details of climate change implications for individual projects, which may have significant implications and opportunities. Detailed implications should therefore be produced for individual projects as and when plans are finalised. At a high level, there are some general principles that should be followed during the planning, design and implementation of capital projects, as detailed below. A toolkit is also being developed to support the achievement of reduced carbon emissions in council capital construction and renovation projects.

4.4.3 New buildings should be constructed to a high standard of energy efficiency, and incorporate renewable energy sources where possible, with projects aiming to achieve carbon neutral development or as close as possible to this. Maintenance and refurbishment works, including replacement of systems or equipment, should also seek to improve energy efficiency wherever possible. This will reduce energy use and therefore bills, delivering further benefits. Major projects will also need to meet Climate Change policy CS2 in the Leicester City Core Strategy planning document, which requires best practice in terms of minimising energy demand for heating, ventilation and lighting, achieving a high level of fabric efficiency, and the use of low carbon or renewable sources of energy.

4.4.4 Projects involving procurement, including for construction works, should follow the Council's sustainable procurement guidelines. This includes the use of low carbon and sustainable materials, low carbon equipment and vehicles and reducing waste in procurement processes. Transport projects should seek to enable a greater share of journeys to be safely and conveniently undertaken by walking, cycling or public transport wherever possible, and many of the planned works will directly contribute to this. Flood risk and environmental works are also a key part of increasing resilience to a changing climate in the city.

Aidan Davis, Sustainability Officer

4.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

Equal Opportunities	Yes	Paragraph 4.3
Policy	Yes	The capital programme is part of the Council's overall budget and policy framework, and makes a substantial contribution to the delivery of Council policy.
Sustainable and Environmental	Yes	Paragraph 4.4
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	Yes	A number of schemes will benefit elderly people and those on low income.

5. Background information and other papers:

6. Summary of appendices:

Appendix 1 Capital Resources.

Appendix 2a Grant Funded Schemes

Appendix 2b Own Buildings

Appendix 2c Routine Works

Appendix 2d Feasibilities and Contingencies

Appendix 3 Operational Estate Maintenance Capital Programme

Appendix 4 Highways Maintenance Capital Programme

Appendix 5 Children's Capital Improvement Programme

Appendix 6 Capital Strategy 2024/25

7. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)? No

8. Is this a "key decision"? If so, why? No – it is a proposal to Council.

Report Author: Kirsty Cowell

Appendix One

Capital Resources

	24/25	25/26	Total
	{£000}	*{£000}*	*{£000}*
Resources Brought Forward			
Previous years' savings	11,952	0	**11,952**
Total One Off Resources	**11,952**		**11,592**
Capital Receipts			
General Capital Receipts	5,424	0	**5,424**
Total Receipts	**5,424**	**0**	**5,424**
Unringfenced Capital Grant			
Education maintenance	1,148	6,000	**7,148**
Integrated Transport	2,576	0	**2,576**
Transport maintenance	3,262	0	**3,262**
Total Unringfenced Grant	**6,986**	**6,000**	**12,986**
Service Transformation Fund	698	0	**698**
TOTAL UNRINGFENCED RESOURCES	**25,060**	**6,000**	**31,060**
Ringfenced resources			
Disabled Facilities Grant	1,861	0	1,861
Prudential Borrowing	150	0	150
TOTAL RINGFENCED RESOURCES	**2,011**	**0**	**2,011**
TOTAL CAPITAL RESOURCES	**27,071**	**6,000**	**33,071**

Appendix 2a

Grant Funded Schemes

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Grant Funded Schemes					
Children's Capital Maintenance Programme	CDN (EBS)	WP	7,100	-	**7,100**
Highway Capital Maintenance	CDN (PDT)	WP	3,262	-	**3,262**
Transport Improvement Works	CDN (PDT)	WP	2,576	-	**2,576**
Disabled Facilities Grants	CDN (HGF)	WP	-	1,861	**1,861**
TOTAL			**12,938**	**1,861**	**14,799**

Key to Scheme Types : WP = Work Programme

Summary of Ringfenced Funding

	{£000}
Disabled Facilities Grant	1,861
TOTAL RINGENCED FUNDING	**1,861**

Appendix 2b

Own Buildings

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Own Buildings					
Operational Estate Maintenance	CDN (EBS)	WP	2,501	-	**2,501**
Corporate Estate	CDN (EBS)	PP	1,500	-	**1,500**
Leisure Centres Improvements	CDN (PH)	PJ	1,072	-	**1,072**
Depot Relocation	CDN (NES)	PJ	200	-	**200**
Pest & Dogs Depot Relocation	CDN (NES)	PJ	48	-	**48**
TOTAL			**5,321**	**-**	**5,321**

Key to Scheme Types : PJ = Project ; WP = Work Programme, PP = Policy Provision

Appendix 2c

Routine Works

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Routine Works					
Fleet Replacement Programme	CDN (HGF)	WP	3,805	-	**3,805**
Local Environmental Works	CDN (PDT)	WP	400	-	**400**
Grounds Maintenance Equipment	CDN (NES)	WP	95	150	**245**
Growing Spaces	CDN (NES)	PP	301	-	**301**
Flood Risk Prevention	CDN (PDT)	WP	300	-	**300**
Foster Care Capital Contribution Scheme	CDN (ECS)	WP	250	-	**250**
Front Walls Enveloping	CDN (PDT)	WP	200	-	**200**
Heritage Interpretation Panels Programme	CDN (TCI)	WP	195	-	**195**
Historic Building Grant Fund	CDN (PDT)	WP	75	-	**75**
Festival Decorations	CDN (TCII)	WP	50	-	**50**
TOTAL			**5,671**	**150**	**5,821**

Key to Scheme Types : WP = Work Programme, PP = Policy Provision

Appendix 2d

Feasibilities and Contingencies

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Feasibilities and Contingencies					
Match Funding	CDN (Various)	PP	3,000	-	**3,000**
Programme Contingency	All Divisions	PP	3,000	-	**3,000**
Feasibility Studies	CDN (Various)	WP	1,130	-	**1,130**
TOTAL			**7,130**	**-**	**7,130**

Key to Scheme Types : PP = Policy Provision ; WP = Work Programme

GRAND TOTAL – ALL SCHEMES	**31,060**	**2,011**	**33,071**

Appendix 3

Operational Estate Maintenance Capital Programme

Description	**Amount £000's**
Building Works - Essential maintenance at the Council's operational and investment buildings. Key works include pathway replacements at parks, repairs at leisure centres and works to heritage sites.	1,035
Compliance Works - Generally consisting of surveys to gain condition data across the estate and works arising from the various risk assessments that are undertaken.	422
Electrical Works - Replacement switch gear, alarms and lighting works.	449
Mechanical Works - Ventilation systems, building management systems and heating controls.	424
Emergency Provision – Provision for emergency reactive works that could be required across the Council's estate	171
TOTAL	**2,501**

Appendix 4

Proposed Highways Maintenance Capital Programme

Description	**Amount £000's**
Principal Roads – Narborough Road, Uppingham Road	185
Classified Non-Principal Roads – Saffron Lane continuation, University Road.	280
Unclassified Neighbourhood Roads, Large Area Patching & Pothole Repairs – Target large carriageway defect repairs to provide longer term repairs in readiness for surface dressing.	1,272
Footway Relays and Reconstructions – Focus on neighbourhood street scene corridor improvements in district centres; Narborough Road footways refurbishment, Melton Road uneven footway improvements.	400
Strategic Bridge Deck Maintenance & Replacement Works Includes feasibility studies and structural surveys to assess St. Margarets Way half joint replacement and Burleys Way Flyover maintenance.	150
Bridge Improvement & Maintenance Works – Kitchener Road & Chesterfield Rd Bridge Maintenance. Various parapet replacements, structural maintenance works and technical assessment review project.	235
Traffic Signal Installations Renewals and Lighting Column Replacements – Signalling Upgrades, Lamp Column Replacements, Illuminated Bollards and Sign Replacements.	240
DfT / Whole Government Accounting Lifecycle Asset Management Development Project – Strategic asset management development, data analysis, lifecycle planning and reporting in support of DfT Challenge Funding bidding linked to asset management performance.	500
TOTAL	**3,262**

Appendix 5

Children's Capital Improvement Programme

Description	**Amount £000's**
Building Works - Typical works include roof replacements, sports hall floor replacements, playground resurfacing and window replacements.	1,435
Compliance Works - This work stream will mainly be used to ensure the playing fields and pavilions used by schools are fully compliant with current regulations and to conduct health and safety works.	694
Electrical Works - Replacement switch gear, alarms and lighting works.	144
Mechanical Works - schemes being undertaken within the programme typically consist of re-piping heating systems and end of life ventilation replacements.	185
Safeguarding Works - building works to ensure sites are secure.	320
Sustainability Works - to carry out works to aid the decarbonisation of the Council's estate. Including works to support the energy efficiency technology programme that is in the current capital programme.	2,385
Individual Access Needs Works - This is a provision to allow works to be carried out to enable children with additional needs to access mainstream school.	300
Emergency Provision - This is provision within the programme to allow for emergency unforeseen works to be carried out.	1,637
TOTAL	**7,100**

Appendix 6

Capital Strategy 2024/25

1. **Introduction**

1.1 It is a requirement on local authorities to prepare a capital strategy each year, which sets out our approach to capital expenditure and financing at a high level. The requirement to prepare a strategy arises from Government concerns about certain authorities borrowing substantial sums to invest in commercial property, often primarily for yield and outside the vicinity of the council concerned (something the Council has never done).

1.2 There is also a requirement on local authorities to prepare an investment strategy, which specifies our approach to making investments other than day to day treasury management investments (the latter is included in our treasury management strategy, as in previous years). The investment strategy is presented as a separate report on your agenda.

1.3 This appendix sets out the proposed capital strategy for the Council's approval.

2. **Capital Expenditure**

2.1 The Council's capital expenditure plans are approved by the full Council, on the basis of two reports:-

(a) The corporate capital programme – this covers periods of one or more years, and is always approved in advance of the period to which it relates. It is often, but need not be, revisited annually (it need not be revisited if plans for the subsequent year have already been approved);

(b) The Housing Revenue Account (HRA) capital programme – this is considered as part of the HRA budget strategy which is submitted each year for approval.

2.2 The capital programme is split into:-

(a) Immediate starts – being schemes which are approved by the Council and can start as soon as practical after the council has approved the programme. Such schemes are specifically described in the relevant report;

(b) Policy provisions, which are subsequently committed by the City Mayor (and may be less fully described in the report). The principle here is that further consideration is required before the scheme can start.

2.3 The corporate capital programme report sets out authorities delegated to the City Mayor. Decisions by the City Mayor are subject to normal requirements in the constitution (e.g. as to prior notice and call-in).

2.4 Monitoring of capital expenditure is carried out by the Executive and the Overview Select Committee. Reports are presented on 3 occasions during the years, and at outturn. For this purpose, immediate starts have been split into three categories:-

(a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes are monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);

(b) **Work Programmes** – these will consist of minor works or similar schemes where is an allocation of money to be spent in a particular year.

(c) **Provisions** – these are sums of monies set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.

2.5 When, during the year, proposals to spend policy provisions are approved, a decision on classification is taken at that time (i.e. a sum will be added to projects, work programmes or provisions as the case may be).

2.6 The authority does not capitalise expenditure, except where it can do so in compliance with proper practices: it has never applied for directions to capitalise revenue expenditure. Given the current revenue position, this stance will be kept under review.

2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2024/25. It therefore, includes latest estimates of expenditure from the 2023/24 programme that will be rolled forward.

Department / Division	**2023/24 Estimate £m**	**2024/25 & Beyond Estimate £m**
All Departments	1.7	3.0
Corporate Resources	1.3	2.2
Planning, Development & Transportation	66.7	45.4
Tourism, Culture & Inward Investment	18.9	28.1
Neighbourhood & Environmental Services	3.0	4.5
Estates & Building Services	11.8	11.2
Adult Social Care	0.5	5.5
Children's Services	22.2	29.3
Public Health	0.2	0.0
Housing General Fund	5.3	4.6
Total General Fund	**131.6**	**133.8**
Housing Revenue Account	52.9	121.7
Total	**184.5**	**255.5**

2.8 The Council's Estates and Building Services Division provides professional management of non-housing property assets. This includes maintaining the properties, collecting any income, rent reviews, ensuring that lease conditions are complied with and that valuations are regularly updated at least every 5 years. A capital programme scheme is approved each year for significant improvements or renovation.

2.9 The Housing Division provides management of tenanted dwellings. Apart from new build and acquisitions, the HRA capital programme is almost entirely funded from tenants' rents. The criteria used to plan major works are in the table below:-

Component for Replacement	Leicester's Replacement Condition Criteria	Decent Homes Standard: Maximum Age
Bathroom	All properties to have a bathroom for life by 2036	30 - 40 years
Central Heating Boiler	Based on assessed condition	15 years (future life span of new boilers is expected to be on average 12 years)
Chimney	Based on assessed condition	50 years
Windows & Doors	Based on assessed condition	40 years
Electrics	Every 30 years	30 years
Kitchen	All properties to have an upgraded kitchen by 2036	20 - 30 years
Roof	Based on assessed condition	50 years (20 years for flat roofs)
Wall finish (external)	Based on assessed condition	80 years
Wall structure	Based on assessed condition	60 years

3. Financing Capital Expenditure

3.1 Most capital expenditure of the Council is financed as soon as it is spent (by using grants, capital receipts, revenue budgets or the capital fund). The Council will only incur spending which cannot be financed in this way in strictly limited circumstances. Such spending is termed "prudential borrowing" as we are able to borrow money to pay for it. Circumstances in which the Council will use "prudential borrowing" are:-

(a) Where spending facilitates a future disposal, and it is estimated that the proceeds will be sufficient to fully cover the initial costs;

(b) Where spending can be justified with reference to an investment appraisal (this is further described in the separate investment strategy). This also includes social housing, where repayment costs can be met from rents;

(c) Other “spend to save” schemes where the initial cost is paid back from revenue savings or additional income;

(d) Where, historically, the Council has used leasing for vehicles or equipment, and revenue budgets already exist to meet the cost;

(e) “Once in a generation” opportunities to secure significant strategic investment that will benefit the city for decades to come.

3.2 The Council measures its capital financing requirement, which shows how much we would need to borrow if we borrowed for all un-financed capital spending (and no other purpose). This is shown in the table below:-

	2023/24 Estimate £m	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
HRA	272	297	322	347
General Fund	257	251	242	234

(The table above excludes PFI schemes).

3.3 Projections of actual external debt are included in the treasury management strategy, which is elsewhere on your agenda.

4. **Debt Repayment**

4.1 As stated above, the Council usually pays for capital spending as it is incurred. However, this has not always been the case. In the past, the Government encouraged borrowing and money was made available in Revenue Support Grant each year to pay off the debt (much like someone paying someone else’s mortgage payments).

4.2 The Council makes charges to the general fund budget each year to repay debt incurred for previous years’ capital spending. (In accordance with Government rules, no charge needs to be made to the Housing Revenue Account: we do, however, make charges for newly built and acquired property).

4.3 The general underlying principle is that the Council seeks to repay debt over the period for which taxpayers enjoy the benefit of the spending it financed.

4.4 Where borrowing pays for an asset, debt is repaid over the life of the asset.

4.5 Where borrowing pays for an investment, debt is repaid over the life of the Council’s interest in the asset which has been financed (this may be the asset life, or may be lower if the Council’s interest is subject to time limits). Where borrowing funds a loan to a third party, repayment will never exceed the period of the loan.

4.6 Charges to revenue will be based on an equal instalment of principal, or set on an annuity basis, as the Director of Finance deems appropriate.

4.7 Debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure relating to the construction of an asset, the charge will commence in the year after the asset becomes operational or the year after total expenditure on the scheme has been completed.

4.8 The following are the maximum asset lives which can be used:-

(a) Land – 50 years;
(b) Buildings – 50 years;
(c) Infrastructure – 40 years;
(d) Plant and equipment – 20 years;
(e) Vehicles – 12 years.

4.9 Some investments governed by the treasury strategy may be accounted for as capital transactions. Should this require debt repayment charges, an appropriate time period will be employed.

4.10 Authority is given to the Director of Finance to voluntarily set aside sums for debt repayment, over and above the amounts determined in accordance with the above rules, where she believes the standard charge to be insufficient, or in order to reduce the future debt burden to the authority.

4.11 In circumstances where the investment strategy permits use of borrowing to support projects which achieve a return, the Director of Finance may adopt a different approach to debt repayment to reflect the financing costs of such schemes where permitted by Government guidance. The rules governing this are included in the investment strategy.

4.12 The ratio of financing costs to net revenue budget is estimated to be:-

	2023/24 %	2024/25 %	2025/26 %	2026/27 %
HRA	11.6	13.3	13.8	14.2
General Fund	0.0	0.6	1.0	1.3

5. **Commercial Activity**

5.1 The Council has for many decades held commercial property through the corporate estate. It may decide to make further commercial investments in property, or give loans to others to support commercial investment. Our approach is described in the investment strategy, which sets the following limitations:-

(a) The Council will not make such investments purely to generate income. Each investment will also benefit the Council's service objectives (most probably, in respect of economic regeneration and jobs). It will, however, invest to improve the financial performance of the corporate estate;

(b) The Council will not make investments outside of the Leicester, Leicestershire and Rutland area (or just beyond its periphery) except as described below. We would not, for instance, borrow money to buy a shopping centre 100 miles from Leicester;

(c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example might be a joint investment, in collaboration with other local authorities; or investment in a consortium serving local government as a whole. In these cases, the location of the asset is not necessarily relevant.

5.2 Such investments will only take place (if they are of significant scale) after undertaking a formal appraisal, using external advisors if needs be. Nonetheless, as such investments also usually achieve social objectives, the Council is prepared to accept a lower return than a commercial funder might, and greater risk than it would in respect of its treasury management investments. Such risk will always be clearly described in decision reports (and decisions to make such investments will follow the normal rules in the Council's constitution).

5.3 Although the Council accepts that an element of risk is inevitable from commercial activity, it will not invest in schemes whereby (individually or collectively) it would not be able to afford the borrowing costs if they went wrong. As well as undertaking a formal appraisal of schemes of a significant scale, the Council will take into account what "headroom" it may have between the projected income and projected borrowing costs. In practice, our ability to carry out commercial activity is now limited by our revenue position.

5.4 In addition to the above, the Council's treasury strategy may permit investments in property or commercial enterprises. Such investments may be to support environmental and socially responsible aims, and are usually pooled with other bodies. For the purposes of the capital strategy, these are not regarded as commercial activities under this paragraph as the activity is carried out under the treasury strategy.

6. **Knowledge and Skills**

6.1 The Council employs a number of qualified surveyors and accountants as well as a specialist team for economic development who can collectively consider investment proposals. It also retains external treasury management consultants (currently Arlingclose). For proposed investments of a significant scale, the Council may employ external specialist consultants to assist its decision making.

Leicester
City Council

MINUTE EXTRACT

Minutes of the Meeting of the
CHILDREN, YOUNG PEOPLE AND EDUCATION SCRUTINY COMMISSION

Held: TUESDAY, 16 JANUARY 2022 at 5:30 pm

PRESENT:

Councillor Batool (Chair)
Councillor Cole (Vice Chair)

Councillor Haq   Councillor Dr Moore
Councillor Pantling   Councillor Pickering

In Attendance:

Councillor Russell – Deputy City Mayor (Social Care, Health and Community Safety)
Councillor Dempster – Assistant City Mayor (Education, Libraries and Community Centres)

*** ** ***

47. APOLOGIES FOR ABSENCE

Apologies for absence were received form Councillors Barnes and Joshi.

48. DECLARATIONS OF INTEREST

There were no declarations of interest.

54. CAPITAL PROGRAMME

The Director of Finance submitted a report detailing the proposed Capital Programme for 2024/25. It was noted that there was £7.1m set aside in Schools Capital maintenance across the schools estate.

The Committee were invited to ask questions and make comments. Key points included:

- In response to a query about heat pumps in schools and the associated costs, it was explained that the Council were working on the issue with Western Power. However, this was not part of the Capital Programme, but part of a funding programme across schools. The Capital Programme related to issues such as basic maintenance.
- More money for issues such as repairs was always desirable. Schools received some funding for minor repairs, but major repairs came through the Council.
- It was recognised that good work was carried out across schools, however, to deliver more, there was difficulty regarding capacity as more staff would need to be brought in.
- A presentation of work done with Capital over the last 12 months would be brought to the Commission.
- Secondary schools had been rebuilt under the building schools for the future programme and this had been a big undertaking. However, it was commented that primary schools needed work.
- A written response would be provided regarding recent views form MPs and the Local Government Association (LGA) on Special Educational Needs and Disabilities (SEND) Provision and Funding.
- The number of Children with SEND was growing, but money was not available to address Children's needs in the best way.

AGREED:

1) That the report be noted.
2) That comments made by members of this commission to be taken into account by the lead officers.
3) That the report be brought to Overview Select Committee prior to Full Council.
4) That a presentation of work done with Capital over the last 12 months would be brought to the Commission.
5) That a written response on recent views form MPs and the Local Government Association (LGA) on SEND Provision and Funding be provided to the Commission by the Director of Education, SEND and Early Help.

Item 12

Leicester City Council

Housing Revenue Account Budget (including Capital Programme) 2024/25

Overview Select Committee: 8th February 2024

Full Council: 21st February 2024

Assistant Mayor for Housing & Neighbourhoods: Cllr. Elly Cutkelvin

Lead director: Chris Burgin

Useful information

- ■ Ward(s) affected: All
- ■ Report authors: Chris Burgin, Director of Housing & Stuart McAvoy, Head of Finance

1. Purpose

1.1 The purpose of this report is for Full Council to consider and approve the City Mayor's proposed Housing Revenue Account (HRA) budget for 2024/25.

2. Summary

2.1 Throughout the changing financial landscape since self-financing was introduced in 2012, the HRA has consistently delivered balanced budgets. This report proposes a balanced budget against a backdrop of continued inflation on pay and materials, and the erosion of income from the continuing loss of stock through Right to Buy (RTB).

2.2 The maximum rent increase that can be applied for HRA tenants in 2024/25 is 7.7%, this being CPI+1% as at September 2023. This report details the continued inflationary pressures being faced by the service and, therefore, proposes a core rent increase in line with the maximum rate permitted. Applying a rent increase below 7.7% would lead to a budget shortfall, and further work would be required to bridge this gap; if, for example, a 5% increase was to be applied then this would lead to a £2.1m shortfall in the budget.

2.3 The proposals within this report are for the charges to tenants and leaseholders (homeowners) for services they receive to be representative of the underlying cost of the service being provided. The installation of heat meters for the vast majority of those tenants and homeowners connected to the District Heating network will better enable people to pay the direct cost of what they consume; this report seeks approval of the unit rate per kWh charge, along with the standing charge. For those tenants without heat meters there is the continued need to apply a fixed charge which is not directly linked to usage.

2.4 Whereas any subsidy provided to our tenants falls on the HRA, any subsidy provided to homeowners is a cost which must be met by the General Fund. The proposals within this report are for homeowners to pay the full cost of provision and as such it is not envisaged that there will be a consequential impact on the General Fund revenue budget.

2.5 Continued investment has taken place to replace properties lost through RTB, through an expanding programme of energy efficient new build housing and by acquiring properties on the open market. This helps to sustain the future finances of the HRA, and further investment is proposed within this report. There is a comprehensive capital maintenance programme in place to ensure that homes are properly maintained, and this is supplemented with investment into the wider estate. The proposals in this report support the continuation of this approach.

2.6 Consultation on the proposals within this report are scheduled to take place between November 2023 and January 2024 with the Tenants' and Leaseholders' Forum, the Housing Scrutiny Commission, and the Overview Select Committee.

3. Recommendations

3.1 Full Council is recommended to:

i) Note the comments from the Tenants' and Leaseholders' Forum at Appendix G, the Housing Scrutiny Commission at Appendix H,
ii) Approve the Housing Revenue budget
iii) Approve a Capital budget for 2024/25 of £25.86m including £10.86 investment in Council Housing stock;
iv) Approve rent changes for tenants for 2024/25 as follows:
   - 7.7% increase to core rent;
   - 7.7% increase to garage rent.
   - 5% increase for Hostel rent and service charges;
   - 5% increase for Gipsy and Traveller plot rent;
v) Approve service charge changes for tenants and leaseholders for 2024/25 as follows:
   - A reduction in the charges for District Heating as set out in section 4.6.3, including a 29% reduction in the variable charge for metered heat and a 24% reduction in the fixed metered charges;
   - reducing the charge for waylighting by 10.1%;
   - applying increases to all other service charges of 6.7%.
vi) Agree to delegate to the City Mayor the authority to vary District Heating service charges by the extent to which this represents a change to the cost of providing those services.
vii) Note the equality impact assessment of the proposed revenue and capital reductions required to present a balanced budget, at Appendix I;
viii) Note that the scheme of virement at Appendix J applies to the HRA budget with total expenditure and total income acting as budget ceilings for this purpose;
ix) For those schemes designated immediate starts, delegate authority to the lead director to commit expenditure, subject to the normal requirements of contract procedure rules, rules concerning land acquisition and finance procedure rules;
x) For the purposes of finance procedure rules determine that service resources shall consist of service revenue contributions; HRA revenue contributions; and government grants/third party contributions ringfenced for specific purposes;
xi) As in previous years, delegate to the City Mayor:
   - Authority to increase any scheme in the programme, or add a new scheme to the programme, subject to a maximum of £10m corporate resources in each instance;
   - Authority to reduce or delete any capital scheme, subject to a maximum reduction of 20% of scheme value for "immediate starts"; and
   - Authority to transfer any "policy provision" to the "immediate starts" category.
xii) Delegate to directors, in consultation with the relevant deputy/assistant mayor, authority to incur expenditure up to a maximum of £250k per scheme in respect of policy provisions on design and other professional fees and preparatory studies, but not any other type of expenditure;
xiii) Note that the capital strategy in the Capital Budget report applies also to the HRA.

4. Report

4.1 The overall aim of Leicester City Council's Housing Division is to provide a decent home within the reach of every citizen of Leicester. This underpins the priorities for the HRA budget.

4.2 The HRA operates in a self-financing environment. Spending priorities are made in the context of needing to achieve the right balance between investing in, maintaining and improving the housing stock, providing landlord services to tenants, building new homes and supporting and repaying housing debt of £260m. The HRA budget is set by modelling expected levels of income and expenditure.

4.3 This report identifies the pressures facing the HRA in 2024/25 (most of which are unavoidable) followed by measures which would be required to set a balanced budget. These include proposals for increases to rent and service charges, savings from efficiency measures, and realignment of the capital programme.

4.4 **Revenue Cost Pressures**

4.4.1 In recent years the primary external pressure on the HRA has been a loss of income from Right to Buy sales, but inflationary pressures now present the principal challenge. Increased interest rates since 2022 also compound the issue. Table 1, below, summarises the known pressures and budget growth requirements within the HRA:

Table 1: Revenue Cost Pressures	**2024/25 £000**
Pay Inflation	1,900
Running Cost Inflation	1,779
Interest & Debt	2,662
Right to Buy Sales	1,152
Capital Funded from Revenue	644
Other Pressures	1,822
Total Cost Pressures	**9,959**

4.4.2 Pay Inflation
An assumed pay award for 2024/25 of 5% has been built into this budget resulting in an increase in pay costs of £1.9m.

4.4.3 Running Cost Inflation
Inflation affects almost all areas of HRA running costs, and is largely unavoidable. Contracts are reviewed as required to ensure that best value is being obtained, but the HRA is subject to wider market forces over which it has little influence. Most significantly for 2024/25, materials and contractor inflation are forecast to be £1.2m higher. Services which are provided to the HRA by other parts of the council are also subject to inflation pressures, and these costs are then passed on to the HRA, adding £0.6m in 2024/25.

4.4.4 Interest & Debt
Over the lifespan of the assets, HRA finances are improved through the building and acquisition of properties for affordable rent. The proposed income budget for 2024/25 anticipates over £1m in additional rent from more recent additions to the dwelling stock. Borrowing is used to part-finance these properties; although the Council is not obliged to do so, as a prudent measure, money is set aside each year for the repayment of this

debt. The growth in the number of affordable properties means that more debt is now being repaid each year, and this will increase by £0.75m in 2024/25. The HRA incurs interest charges on the outstanding borrowing, and is therefore exposed to changes in interest rates; increases in rates from the historic lows that have been the norm since 2009 mean that interest charges are expected to increase by £2.5m. However, the HRA also holds cash balances on which it earns interest and increased rates will result in an extra £0.6m being earned in interest.

4.4.5 Right to Buy

Sales of properties through Right to Buy can give discounts to tenants of up to 70% of the property value, with the maximum discount in Leicester currently at £96,000 (compared with £24,000 10 years ago). Whilst there was a resurgence in sales post-Covid, this has now reduced, likely due to interest rate rises and concerns over the cost of living. For the purposes of this budget it is assumed that there will be 275 sales in 2024/25, an increase on the 230 predicted for 2023/24, with a consequential loss of rental income of £1.2m. Whilst a reduction in dwelling stock should lead to reductions in associated expenditure on managing and repairing those properties, the economies of scale that come from managing a large portfolio are gradually being eroded.

4.4.6 Capital Expenditure Funded from Revenue

The default source of funding for the maintenance aspects of the HRA capital programme (i.e. excluding affordable housing) is from revenue resources, which in 2023/24 amounted to £10.2m. This was particularly low due to the need to finance subsidy costs for those on District Heating. In 2024/25 the figure for capital expenditure funded from revenue increases to £10.9m, representing a revenue cost of £0.6m. The detail of changes to specific schemes is within section 4.8, below.

4.4.7 Other Pressures

There continue to be a high number of claims for property disrepair, primarily instigated by legal firms. Whilst almost all of these claims have little or no basis, additional legal costs are being incurred to manage this, along with the cost of any remediation required adding £1.2m to costs in 2024/25. The robust defence of these claims help to reduce the financial impact and discourage legal firms from pursuing these in the city.

With an increased focus on void work, and a reduction to some aspects of the capital programme, the opportunities for the repairs and maintenance service to be able to capitalise their costs have reduced. Addressing this in the budget will be a pressure of £420k.

Difficulties in the recruitment of craft operatives in recent years has highlighted the need to expand the existing apprenticeship programme. This budget proposes an increase of 10 FTE’s at an annual cost of £202k.

The Regulator of Social Housing is introducing changes to its fee charging structure, reflecting changes to its role. This will result in an additional cost of £113k.

4.5 **Rent**

4.5.1 The primary source of income into the HRA is from the rent charged to tenants. Through the Rent Standard, central government set the rules governing the maximum rent which may be charged and the maximum increase from one year to the next. Whilst the stated aim has been to provide medium-term assurance on a consistent methodology, in practice this has fluctuated. Social rent increases of up to 7.7% are permitted, reflecting CPI+1% as at September 2023.

4.5.2 Given the scale of the pressures outlined in section 4.4 of this report, the proposal is to seek approval to apply a rent increase of 7.7%. To apply a rent increase of anything less than this would necessitate either a scaling back of the capital programme beyond that set out in this report, a draw on limited reserves, or revenue service cuts. A rent increase below 7.7% would lead to a loss of income of £780k for each 1% in 2024/25, and £9.1m over a 10-year period. Importantly, there would be no opportunity to recover this reduction to the base level income by applying a higher a rental increase in future years (other than when properties are re-let).

4.5.3 Hostel Rent
Hostel rents and service charges are periodically re-set to ensure that they are aligned with the actual cost of running the service. This re-calculation was undertaken last year reflecting an updated staffing structure. A 5% increase in the charges is being proposed in this report, aligned with estimates on pay inflation. All individuals staying at the Dawn centre are eligible for Housing Benefit.

4.5.4 Gipsy & Traveller Plot Rent
Whilst the Gipsy and Traveller sites sit outside the Housing Revenue Account, it is still necessary to set the annual rent for these plots and this is typically incorporated within this report. It is proposed that a 5% rental increase be applied for 2024/25, in line with estimates on pay increases.

4.5.5 Garage Rent
Whilst garage rents are set separately to dwelling rents it is proposed to increase these by 7.7%, in line with core rent. Feedback from the Tenants and Leaseholder forum in previous years has been that these rents should increase more rapidly than dwelling rent.

4.6 **Service Charges**

4.6.1 Service charges should be set with the intention of recovering the full cost of providing the service. To avoid a gap from developing, it is proposed that a 6.7% increase is applied in 2023/24 in line with inflation (CPI), other than for waylighting and district heating.

4.6.2 A limited number of service charges relate entirely to energy costs. Waylighting charges are levied to cover the cost of electricity incurred. The Council purchases electricity in advance such that the cost is partially known for the period from October 2023 to September 2024; this has risen by approximately 12%. However, the forecast for the second half of the year is for a 25%-30% reduction. When combined, this results in a forecast reduction in electricity prices for 2024/25 of 10.1%. This is the basis of the proposed charge for waylighting.

4.6.3 District Heating
Approximately 1,900 tenants and 1,000 homeowners are supplied heating and hot water through the District Heating scheme. Charges are raised on 2 separate bases: those which have a heat meter installed and those which do not.

Properties With a Heat Meter

The charges for properties with a heat meter are separated into fixed charges (which are payable regardless of usage) and a variable charge for the heat actually consumed. The forecast underlying cost of gas for 24/25 is significantly lower; this not only reduces the variable consumption charge but has also enabled a partial reduction to the fixed costs. These are set out in the table below:

	23/24 Annual Charge for Tenants	**24/25 Annual Charge for Tenants**
Fixed Charges	£280	£193
Billing & Collection	£75	£75
Fusion Fee on Billing & Collection	£3	£3
VAT on the above (@5%)	£17.90	£13.57
Total Fixed Charges	**£375.90**	**£284.90**
Weekly Fixed Charge (over 50 weeks)	**£7.52**	**£5.70**
Variable Charge p/kWh of Heat	**12.31p**	**8.70p**

(Note that separate charges are raised to recover the cost of meter installation).

It is important to note that the forecast price of gas is subject to change and will crystalise as the year progresses; there may be a need to revise these charges prior to the publication of this report.

Properties With No Heat Meter Installed

Where there is no way of charging based on actual heat consumption, fixed charges are applied. Due to the high price of gas through 2023/24 properties without heat meters had their average annual charge capped at £1,611, with the HRA picking up the cost of this subsidy for tenants.

The reduction in the forecast price of gas means that the full cost charges for tenants and leaseholders in 2024/25 will be over 9% below the capped level for 2023/24. The proposed charges are set out below:

	2023/24 Annual Charge	**2024/25 Annual Charge**
1 bed	£1,325	£1,188
2 bed	£1,806	£1,646
3 bed	£2,254	£2,071
4 bed	£2,717	£2,512
Other	£740	£631
Average	**£1,611**	**£1,460**
Average Weekly Charge (50 weeks)	**£32.22**	**£29.20**

Budget was set aside in 2023/24 for the cost of subsidising tenants (in the HRA) and homeowners (in the General Fund) to enable heat charges to be set at a capped rate of £1,611; no budget provision has been made in either fund for this in 2024/25. The consequence of the proposed charges above is that subsidy would not be required.

4.7 **Revenue Savings**

4.7.1 The proposals within this report meet the identified budget pressure of £9.7m in 2024/25. The proposed changes to rent and service charges at section 4.5 and 4.6 would result in additional income of £6.1m. Table 2, below, summarises the additional income and proposed savings to deliver a balanced budget:

Table 2: Additional Income & Reductions in Expenditure	**2024/25 £000**
Dwelling Rent & Service Charges	(6,153)
Rent From Supply of New Housing	(1,052)
District Heating	(2,500)
Staffing & Running Costs	(254)
Total Savings	**(9,959)**

4.7.2 Rental Income from Supply of New Housing
The HRA has embarked on an extensive programme of acquiring properties on the open market to increase the number of homes available at an affordable rent. In addition, a programme of building new properties on Council-owned land is underway. Additional rental income will accrue of over £1m in 2024/25 as a result of this programme.

4.7.3 District Heating
The impact of reduced gas costs will reduce expenditure on the scheme by approximately £6.5m. The reduced charges proposed in this report will lead to a reduction in income of £4m. The net effect of these is a saving to the HRA of £2.5m. This is principally a reflection of the removal of subsidy to households.

4.7.4 Staffing & Running Costs
A reduction in administration costs of £66k will be achieved through the deletion of vacant posts, with a further £63k in staffing savings from the Housing Transformation Team. The budget for paying court fees (held by the income management team) has consistently underspent and £50k of budget can be released as a result. The service holds a budget for replacement IT systems which can be reduced by £75k following investment in recent years.

4.7.5 In summary, the proposals outlined in this report will meet the amount required to balance the revenue budget for 2024/25 without drawing upon reserves. Appendix A shows a high-level breakdown of the proposed HRA revenue budgets for the year.

4.8 **Capital Expenditure**

4.8.1 The 2023/24 capital programme (excluding budgets slipped from previous years) is £26.1m, with £15m of this relating to the Affordable Housing programme of building and buying properties.

4.8.2 Appendix E outlines the way in which capital works are identified as being required in council dwellings. Appendix F provides wider details of the priorities which direct HRA expenditure, including achievements throughout the last year.

4.8.3 Appendix B shows the proposed capital programme for 2024/25. The following changes to the capital programme are proposed:

4.8.4 Affordable Housing – Acquisitions & New Build

Over £215m has been added to the capital programme since November 2019 to support the programme of new build and property acquisitions. This helps to sustain the medium and long-term position of the HRA by replacing properties lost under Right to Buy. This report seeks to add a further £15m based on the forecast RTB receipts for the year. Further additions to the programme are expected to take place as government grant funding for acquisitions is released throughout the year. In particular, this is expected to focus on accommodation for single homeless people and for refugees. This will support to alleviate pressure on temporary accommodation costs within the General Fund.

4.8.5 Kitchens & Bathrooms

£2m was added to the 2023/24 capital programme for the installation of new kitchens and bathrooms; the proposed increased investment of £2.8m in 2024/25 is expected to enable a further 493 installations.

4.8.6 Boilers

We expect to have replaced 740 boilers in 2023/24 and a further 900 in 2024/25 with the investment of £2.5m proposed in this budget.

4.8.7 Re-Wiring

A continuation of the re-wiring budget at the same level as for 2023/24 will help to support full/partial re-wiring at 580 properties across the city.

4.8.8 Re-Roofing, Soffits & Facias

No additional budget was added in the 2023/24 budget as a result of slippage from previous years. This report proposes the re-instatement of this budget at £1.15m.

4.8.9 District Heating

The HRA incurs costs in maintaining the secondary network of district heating. The £0.5m cost of this important work in 2024/25 is not passed on to tenants. The 2023/24 budget added a one-off amount of £2.8m for the installation of meters and the connection of Aikman Avenue; no further additions are being sought in this report.

4.8.10 Communal & Environmental Works

This report proposes the continuation of this important work with a further £200k.Examples of the type of work this has funded over the last year include:

- The replacement of planters and installation of additional bollards on Hockley Farm Road;
- Installation of metal gates on Flora Street;
- Grounds maintenance work around Portmore Close;
- Improvements to the front of communal blocks along Thurncourt Road, Flamborough Road and Thurncourt Gardens;

4.8.11 Disabled Adaptations

Demand for adaptations to tenant properties has increased significantly over the last year. The 2024/25 budget provides for a 50% increase in the budget (£400k) to enable people to remain living in their homes.

4.8.12 Fire Risk Works

Following the re-introduction of this back into the programme last year, the 2024/25 budget continues to make provision for £500k towards fire doors and other fire risk works.

4.8.13 Sheltered Housing Improvements
A wider review of sheltered housing is planned which means that capital provision towards minor works is not currently required.

4.8.14 St Matthews Estate Concrete Work
A further £200k is being added to the capital programme towards concrete work across the St Matthews Estate, including balconies and walkways.

4.8.15 The financing of the proposed capital programme is shown in the table below.

Table 3: Financing of HRA Capital Programme	**2023/24 £000**	**2024/25 £000**
Funded From Revenue	10,216	10,860
Funded From Reserves	859	0
Funded From Right to Buy Receipts (incl. Allowable Debt)	7,500	7,500
Funded from Borrowing	7,500	7,500
	26,075	**25,860**

4.9 **HRA Reserves**

4.9.1 Drawing down on reserves in an attempt to avoid the need to make savings is only viable as a short-term approach to meeting any budget shortfall. Reserves are better utilised in meeting one-off costs, to support the delivery of long-term efficiencies and providing cover for major repairs. In keeping with this approach, no reserves are proposed to be used to balance the budget for 2024/25.

4.9.2 Projections of the HRA reserve position at the end of 2023/24 indicate that there will be only limited unallocated reserves, in the region of £0.9m. This is a very small sum, particularly given the short and medium-term financial risks facing the HRA, including the potential for future rent restrictions and the continuing impact of higher interest rates.

Forecast Opening Reserves Balance as at 1st April 2024	£22.0m
Amount held to cover minimum working balances	£5.0m
Amount held to finance prior years' capital approvals (including policy provisions)	£11.1m
Earmarked for future anticipated calls on reserves	£5.0m
Forecast Unallocated Reserves Balance as at 31st March 2025	**£0.9m**

5. Financial, legal and other implications

5.1 Financial implications

5.1.1 This report is exclusively concerned with financial issues.

Amy Oliver, Director of Finance

5.2 Legal implications

5.2.1 The Council is obliged to set a budget for an accounting year that will not show a deficit (s.76 Local Government and Housing Act 1989).

5.2.2 The Council is also required to ring-fence the HRA to ensure that only monies received and spent for obligations and powers under the Housing Act 1985 can be paid into and out of the HRA (s.75 and Schedule 4 Local Government and Housing Act 1989).

Jeremy Rainbow, Principal Lawyer (Litigation)

5.3 Equalities implications

5.3.1 When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. In doing so, the council must consider the possible impact on those who are likely to be affected by the recommendation and their protected characteristics.

5.3.2 Protected groups under the Equality Act 2010 are age, disability, gender re-assignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex and sexual orientation.

5.3.3 The report recommendations with regards to increases in rent is likely to have a negative impact on people from across a range of protected characteristics by impact on household budgets. However, the work being carried out from income raised by the rent increases will lead to positive equality impacts, particularly on increased space and adaptations being made to homes.

5.3.4 An Equality Impact Assessment has been carried out and will continue to be updated as consultation continues to reflect information that is collated.

Kalvaran Sandhu, Equalities Manager

5.4 Climate Change and Carbon Reduction implications

5.4.1 Housing is responsible for a third of Leicester's overall carbon emissions. Following the city council's declaration of a Climate Emergency in 2019 and its aim to achieve net zero carbon emissions for the city and council addressing these emissions is vital to meeting our ambition, particularly through the council's own housing where it has the highest level of influence and control.

5.4.2 Opportunities to reduce the energy use and carbon emissions of properties should be identified and implemented wherever possible. In the case of newly built or purchased dwellings this means meeting a high standard of energy efficiency and providing low carbon heating and hot water systems, as provided in climate change implications for relevant reports. Additionally, the programme of maintenance for existing housing properties should provide opportunities to improve their energy efficiency, which should be investigated where practical. Improving energy efficiency should also help to ensure that housing reaches a high standard, reduce energy bills for tenants and help to limit maintenance costs.

5.4.3 Appendix F provides further detail of actions being undertaken as part of 'Priority three – Sustainable Leicester', including the construction of new a-rated council homes, installation of energy efficiency measures including insulation, LED lighting and upgraded heating in properties and climate change training for housing staff.

Aidan Davis, Sustainability Officer

6. Background information and other papers:

None

7. Summary of appendices:

Appendix A: Proposed HRA Revenue Budget 2024/25

Appendix B: Proposed HRA Capital Programme 2024/25

Appendix C: Other Service Charges and Payments 2024/25

Appendix D: Leicester Average Rents Comparison

Appendix E: Planning Capital Works in Council Dwellings

Appendix F: How Priorities Are Assessed for HRA Expenditure

Appendix G: Feedback from Consultation with Tenants' and Leaseholders' Forum

Appendix H: Minutes of the Housing Scrutiny Commission

Appendix I: Equality Impact Assessment (EIA)

Appendix J: Scheme of Virement

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a "key decision"?

No

Appendix A

Proposed HRA Revenue Budget 2024/25

		- 2024/25 -		
	2023/24 Current Budget £000	2024/25 Budget Pressures £000	2024/25 Savings & Reductions £000	Proposed 2024/25 Budget £000
Income				
Dwelling & Non-Dwelling Rent	(81,396)	1,151	(7,154)	(87,399)
Service Charges	(12,917)	0	(51)	(12,968)
Total Income	**(94,313)**	**1,151**	**(7,205)**	**(100,367)**
Expenditure				
Management & Landlord Services	33,297	1,947	(2,754)	32,490
Repairs & Maintenance	28,387	3,093	0	31,480
Interest on Borrowing	11,004	2,662	0	13,666
Charges for Support Services	5,310	294	0	5,604
Contribution to GF Services	6,099	168	0	6,267
	84,097	**8,164**	**(2,754)**	**89,507**
Capital Funded From Revenue	**10,216**	**644**	**0**	**10,860**
(Surplus) / Deficit Before Reserves	**0**	**9,959**	**(9,959)**	**0**
Funding From Reserves	0			0
Contributions To Reserves	0			0
(Surplus) / Deficit	**0**	**0**	**0**	**0**

Appendix B

HRA Capital Programme 2024/25

The table below shows the 2022/23 capital programme approved in February 2023 (excluding budgets slipped from previous years' programmes), and the proposed programme for 2024/25. All of the schemes listed for 2024/25 are immediate starts.

	23/24 Capital Programme £000	24/25 Capital Programme Additions £000
Kitchens & Bathrooms	2,000	2,800
Boilers	2,300	2,500
Re-wiring	1,610	1,610
Re-roofing	0	1,000
Soffits & Facia	0	150
Windows and Doors	50	50
District Heating Maintenance	500	500
District Heating - Metering	2,310	0
District Heating - Aikman Avenue	455	0
Communal Improvements & Environmental Works	200	200
Disabled Adaptations	800	1,200
Fire Risk Works	500	500
Safety Works including Targeted Alarms	100	100
Loft Insulation	0	50
Sheltered Housing Improvements (ASC)	50	0
Affordable Housing - Acquisitions & New Build	15,000	15,000
St Matthews Concrete Estate Work	200	200
Total Capital Programme	**26,075**	**25,860**

Appendix C

Other Service Charges and Payments

It is proposed that the payments and charges shown in the table be as follows:

Service Charge	Details of Charges
Replacement Rent Swipe Cards	The charge for a replacement swipe card is £5.00.
Pre-sale questionnaires from solicitors and mortgage providers	Housing Services receive a large number of requests from mortgage providers and solicitors for information in connection with property type / condition and tenancy history. A charge is levied to recover the cost to the council of providing this information. The charge for this is £125 (Note that requests in connection with tenants' statutory rights under Right to Buy legislation are excluded from this charge).
Security Fob Replacements	Where tenants and leaseholders require a replacement security fob these are charged at £10 each.

Payments	Details of Payments
Disturbance Allowance	Disturbance allowances are paid when a full property electrical rewire is carried out to an occupied LCC-owned property. A disturbance allowance can also be paid where it is necessary to undertake major works in an occupied property. The disturbance allowances are as follows: Bedsit £130 4-Bed £230 1-Bed £155 5-Bed £255 2-Bed £180 6-Bed £280 3-Bed £205 7-Bed £305
Decorating Allowances	Decorating allowances are paid to new tenants based on the condition of the property on a per room basis. The allowances are paid through a voucher scheme with a major DIY chain. Current allowances are set out below: Bathroom £45.00 Halls (flats/bungalows) £45.00 Kitchen £56.25 Hall/Stairs/Landing £78.75 Lounge £67.50 Large Bedroom £67.50 Dining Room £67.50 Middle Bedroom £56.25 WC (where separate) £22.50 Small Bedroom £36.00 The amount payable is capped as follows: 3+ bed house / maisonette £300 3+ bed bungalow / flat £250 2 bed house / maisonette £250 2 bed flat / bungalow £200 1 bed flat / bungalow £150 Bedsit £100

Appendix D

Average Rents Comparison

The table below compares the rent levels for different types of property in the HRA with rents for similar sized properties across the city.

<table>
<tr><th>Property Type</th><th>HRA 2023/24</th><th>Formula Rent 2023/24</th><th>Housing Assoc. 2023</th><th>Private Sector (LHA rate) 2023</th><th>Private Sector (City Wide) 2022/23</th></tr>
<tr><td>Room only</td><td>-</td><td>-</td><td>-</td><td>£78.00</td><td>£93.69</td></tr>
<tr><td>Bedsit (studio)</td><td>£67.66</td><td>£71.90</td><td>£80.70</td><td>-</td><td>£116.54</td></tr>
<tr><td>1 bed</td><td>£72.79</td><td>£77.56</td><td>£89.82</td><td>£103.56</td><td>£132.92</td></tr>
<tr><td>2 bed</td><td>£85.77</td><td>£88.84</td><td>£93.82</td><td>£130.03</td><td>£166.85</td></tr>
<tr><td>3 bed</td><td>£96.21</td><td>£99.13</td><td>£99.49</td><td>£155.34</td><td>£195.46</td></tr>
<tr><td>4 bed</td><td>£109.92</td><td>£109.19</td><td>£118.60</td><td rowspan="3">£205.97</td><td rowspan="3">£324.23</td></tr>
<tr><td>5 bed</td><td>£117.84</td><td>£119.63</td><td>£121.51</td></tr>
<tr><td>6 bed</td><td>£128.85</td><td>£128.39</td><td>£138.69</td></tr>
</table>

Planning Capital Works in Council Dwellings

Each defined element within a council property is upgraded or renewed in line with good practice, legislative requirements and the changing needs and expectations of our tenants. The table below identifies some of the main criteria for planning major works in council dwellings:

Component for replacement	Leicester's replacement condition criteria	Decent Homes Standard minimum age
Bathroom	All properties to have a bathroom for life by 2036	30 - 40 years
Central heating boiler	Based on assessed condition from annual service	15 years (future life expectancy of boilers is expected to be on average 12 years)
Chimney	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	50 years
Windows and Doors	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	40 years
Electrics	Every 30 years	30 years
Kitchen	All properties to have an upgraded kitchen by 2036	20 – 30 years
Roof	Based on assessed condition for the Stock Condition Survey / Housing Health and Safety Rating System	50 years (20 years for flat roofs)
Wall finish (external)	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	80 years
Wall structure	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	60 years

Asset data for all HRA stock is held on the Northgate IT system. This includes the age, construction type, number of bedrooms, type and age of boiler, the last time the lighting and heating circuits were rewired etc. Condition survey data is also held for certain external elements such as roofs and chimneys, external paths, windows and doors etc.

The proposed capital budget for 2024/25 is not purely based on life cycle and condition survey data; major elements are pre-inspected before they are added to the programme and the repairs history for the property is checked. For example, all roofs are pre-inspected before the order is sent to the contractor. Likewise, all electrical installations are tested at 30 years and a decision is made whether to carry out a full rewire or part upgrade of the circuits. Properties are not added to the kitchen programme if they have had major repair work carried out in the previous 5 years.

Requests for additions to the capital programme are also received from the Repairs Team if an element requires replacement rather than repair. For example, a roof repair may result in the property being added to the programme.

Some works are reactive such as Disabled Adaptations. There is a joint working protocol between Housing and Adult Social Care, which allocates priority points to each case.

How Priorities are Assessed for HRA Expenditure

The overall aim of Leicester City Council's Housing Division is to provide a decent home within the reach of every citizen of Leicester. Under this aim the priorities for the Housing Revenue Account Budget are:

- Providing Decent Homes;
- Making our communities and neighbourhoods places where people want to live and keeping in touch with our tenants;
- Making Leicester a low carbon city by improving the energy efficiency of homes;
- Providing appropriate housing to match people's changing needs;
- Making Leicester a place to do business by creating jobs and supporting the local economy.

This appendix sets out how we are meeting these priorities and the plans for investment in our 19,412 (April 2023) council homes and their neighbourhoods.

Priority one – Providing Decent Homes

Just over 1 in 7 homes in Leicester is a council house, flat, maisonette or bungalow. 14% of all homes in the city are council homes. It is crucially important that we look after these assets, not just for current tenants, but for those who will live in them for many years to come. When we plan the Housing Capital Programme, we must consider what investment will be needed over at least the next 40 years, not just the next three or four years. We must ensure we do not let the programmes for essential items with long life spans fall behind, for example roofs, boilers, re-wiring, kitchens, and bathrooms.

The Government's Decent Homes target was met in 2011/12. However, to meet the standard on an on-going basis further investment for major works is required. Major works are planned for all council housing following an assessment of condition, age, tenant priorities and other criteria set as part of the Decent Homes Standard. We have a bespoke software package that enables us to analyse stock condition and plan major work accordingly, when it is required. The Government's current definition of a Decent Home was set in 2006. A Decent Home must meet the following four criteria:

- It meets the current statutory minimum standard for housing;
- It is in reasonable repair;
- It has reasonably modern facilities and services; and
- It provides a reasonable degree of thermal comfort.

As well as achieving the Decent Homes Standard, we also address tenants' priorities. The majority of tenants see improvements made within their home as a priority and the priority elements for improvements are kitchens and bathrooms. During 2023/24 we are undertaking a programme to install meters in properties with District Heating.

This has been identified as a priority for tenants to help them control their energy use and costs.

Below are some of the main criteria used to plan major works in Council properties:

Component for replacement	Leicester's replacement condition criteria	Decent Homes Standard minimum age
Bathroom	All properties to have a bathroom for life by 2036	30 - 40 years
Central heating boiler	Based on assessed condition from annual service	15 years (future life expectancy of boilers is expected to be on average 12 years)
Chimney	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	50 years
Windows and doors	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	40 years
Electrics	Every 30 years	30 years
Kitchen	All properties to have an upgraded kitchen by 2036	20 – 30 years
Roof	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	50 years (20 years for flat roofs)
Wall finish (external)	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	80 years
Wall structure	Based on assessed condition from the Stock Condition Survey / Housing Health and Safety Rating System	60 years

The table below shows the key Capital Programme work being carried out during 2023/2024 and our proposals for 2024/25.

Programmed element	Achievements and proposals
Kitchens and bathrooms	We expect to have installed 271 kitchens / bathrooms in 2023/24. During 2024/2025 we are expecting to install a further 493. As at the 1st April 2023, 80% of all council properties have had either a Leicester Standard kitchen or bathroom.
Rewiring	We expect to have rewired 490 homes in 2023/24 and a further 470 during 2024/25.
Central heating boilers	Investment is calculated to replace boilers every 15 years based on condition data from the annual gas service. We expect to have replaced 672 boilers in 2023/24 and a further 900 in 2024/25.
Roofing and chimneys	We expect to have installed 40 new roofs in 2023/24 and a further 65 in 2024/25.
Central heating systems	We have 85 properties without any form of central heating. In these cases, tenants have refused to have central heating installed. Provision is made in the programme to install central heating on tenant request or when these properties become vacant.
Windows and doors	Excluding properties in Conservation Areas where there are often restrictions on the use of UPVC, we have 45 properties that do not have UPVC double glazed windows. In these cases, tenants have refused our previous offers of installing double glazing. Provision is made in the programme to install windows / doors on tenant request or when these properties become vacant. Future investment will be targeted at installing secondary glazing to properties in Conservation Areas.
Structural works	Investment is required to address any structural works identified each year. As well as dealing with structural problems, such as subsidence, issues such as woodwork treatment and failed damp proof courses are also dealt with when identified.
Soffits, fascias, guttering	By replacing these items with UPVC, it will help to reduce long term maintenance costs. During 2023/24, we anticipate installing UPVC soffits, fascia's and gutters to 46 properties, and a further 108 properties in 2024/25.
Condensation and damp works	Investment is required to target those properties that have been identified as being more susceptible to condensation related problems because of their construction type or location. In 2023/24, we expect to complete work on 819 properties and a further 800 in 2024/25. Advice to tenants is also important as their actions can alleviate condensation problems, for example opening windows when cooking. Work has started to develop a formal policy around tackling damp and mould in our properties

Safety and fire risk work	Investment is required to implement the planned programme of fire safety measures, as agreed with the Fire Service

The Building Safety Act came into force in April 2022. The Act is a significant piece of legislation and overhauls the way residential buildings are constructed and maintained. The Act is principally concerned with improving safety in higher risk buildings (those at least 18 metres in height or those that have at least 7 storeys). This year we have recruited a new Building Safety Manager who is responsible for overseeing work in relation to Building Safety. We are also investing in a new IT module to improve our management of work related to fire safety.

The Government intends to review the Decent Homes Standard. We are currently waiting for further information on proposals. It is anticipated that changes to the Decent Homes Standard will result from this review, particularly new standards in relation to communal areas around homes and meeting zero carbon targets.

It is crucial we continue to repair and maintain homes. During 2022/23 83,274 repairs were completed, compared to 85,098 in 2021/22.

This year we introduced clearer definitions for what qualifies as an emergency repair to ensure that tenants in real need of an emergency response get the priority attention they deserve.

We are looking to increase the use of 'remote assistance' technology during the coming year. Remote assistance enables a live video linkup with a tenant in their home with one of our office or home-based staff, using the tenant's own smart phone. This mobile technology has the potential to allow us to remotely sort reported repairs into priority order and provide advice and guidance to tenants to resolve a reported issue without the need for a visit by one of our repairs staff.

A project is currently being undertaken by our roofing team to look at the possibility of using drone technology to enable inspections to our hard-to-reach structures across the city. This will provide our tenants with a quicker service and reduce the amount of scaffolding being used at any given time. The use of drones is also a much safer way for our teams to carry out surveys by reducing the amount of time that they work from heights.

Work is taking place to reduce the length of time homes are vacant to ensure that new tenants are rehoused into suitable accommodation as quickly as possible, and loss of income is minimised. During 2022/23 the average time to repair all vacant properties was 190 days. Increasingly major works need to be carried out on our vacant properties to ensure the safety of our new tenants. This work can include asbestos removal, the fitting of new kitchens or bathrooms, rewires, boilers replacements and specialist cleaning, which increases the time properties are vacant. At the end of September 2022, we were carrying out work on 429 vacant properties; at the end of September 2023 this number had reduced to 379 properties. An improvement plan is in place to reduce our re-let times. One action we are undertaking is a trial to allow tenants to move into their new homes before all minor repair work has been completed. All essential work will have been finished before a tenant moves into a new home to ensure it is safe and let to a good standard. This means that tenants will be able to have their new homes sooner and we will be able to reduce the time properties are left empty. As part of the trial, we will be offering tenants a Repairs Pledge so that they can be assured the outstanding repairs will be completed within the agreed timescale.

Priority two – Making our communities and neighbourhoods places where people want to live and keeping in touch with our tenants

Key to the delivery of all our services in our neighbourhoods is our income collection. Despite significant challenges bought about by the Cost of Living Crisis, the Income Management Team have worked hard to support tenants in paying their rent, ensuring 99.66% of rent was collected in 2022/23. The high rate of income collection enables us to continue delivering high quality services.

Providing decent homes is not just about 'bricks and mortar', it can also lead to improvements in educational achievement and health, help tackle poverty and reduce crime. Creating sustainable communities is also more than housing, it means cleaner, safer, greener neighbourhoods in which people have confidence and pride.

The environmental works and communal areas budget helps deliver significant environmental improvements on estates, such as landscaping, new security measures, community facilities, pocket parks, fencing and communal area improvements. Tenants and ward councillors help decide where this money should be spent, based on their local needs and priorities. These schemes have made significant contributions to improving the overall image, appearance and general quality of life within our estates.

In 2023/24 the £200k environmental and communal works budget was shared across the city in all neighbourhood housing areas. Examples of the work taking place this year includes:

- Removal of old wooden planters on Hockley Farm Road and renew with concrete planters and additional bollards
- Funding for the continuation of the community growing pilot at the Meadow Gardens bungalows
- Installation of metal gates on Flora Street
- Grounds maintenance work around Portmore Close
- Wild flower planting in the West End of the City
- Improvements to the front of communal blocks along Thurncourt Road, Flamborough Road and Thurncourt Gardens
- Remove shrubs and slabs on Radstone Walk and replace with grass

Over the last 3 years additional investment has taken place through the Public Realm Improvement Programme, primarily focusing on improvements to the St Matthews and St Peters areas of the city.

The Neighbourhood Improvement Scheme carries out painting, clearing of alleyways, removal of graffiti and other works to improve the look of the local environment.

The Housing Division works closely with the Probation Service through the Community Payback scheme, undertaking tasks such as litter picking, painting, and tidying up the green areas in our estates.

District Managers attend ward community meetings and other local forums where concerns about anti-social behaviour are often raised. We work closely with the police and are involved in the local Joint Action Groups.

We respond vigorously to reports of anti-social behaviour. We also offer security packages to tenants who are victims of anti-social behaviour, such as secure letter boxes and alarms, to help them feel safe in their homes whilst reports are investigated. In 2022/23 we received 1,416 reports of anti-social behaviour that were investigated and, where necessary, action was taken against perpetrators. This was 217 more reports than the previous year.

In May 2023 a centralised team, the Housing Anti-Social Behaviour Team within Community Safety, was set up to investigate all reports of anti-social behaviour relating to Council tenants. Officers within this team have specialist knowledge of investigating anti-social behaviour complaints and finding long term solutions. The officers also provide support to the victims of anti-social behaviour.

We continue to provide our housing management service with local teams so that our staff know the neighbourhoods and communities in which they work. Housing Officers are out and about on their ‘patches’ and our craft repairs workforce is fully mobile.

Housing office services are provided in shared Council buildings within local communities. The Customer Support service runs a telephone advice line during working hours where tenants can report emergency repairs and tenancy issues. Out of hours emergency calls are taken by an external provider.

We have been carrying out improvements to increase the ways tenants can contact us online. Housing Online is now the digital access point for many of our services. Through this, tenants can view and download rent statements, receive important messages from us and update their contact and security information. We will soon have the facility for tenants to report more tenancy management enquiries online.

As part of the development of our online services, most tenants now report their non-emergency repairs through their Housing Online account. Through this, tenants can:

- Report a non-emergency repair to their council home;
- Make an appointment for a repair;
- Enquire about an existing repair;
- Report a problem with a completed repair.

Some of the benefits of using Housing Online to report and enquire about repairs are:

➢ Repairs can be reported outside of our normal office working hours, 24 hours a day, 7 days a week;

- Tenants don't have to wait in a queue for their telephone call to be answered to report a repair;
- Repair requests can be made on a wide range of devises, including mobile phones, tablets, and PCs;
- For people who don't have devices they can use the computers widely available in libraries and community centres;
- The online service provides pictures of a wide range of repairs that may be required in a property, so it is easy to identify and report what is needed;
- When reporting a repair online tenants have a choice when their repair takes place;
- Tenants can make an enquiry online about a reported repair if they want to check progress on this;
- We can send messages via the online system to provide an update on a repair, for example if we are waiting for materials to arrive;
- The online system provides a list of all repairs reported in one place. This means tenants can go in to see what has been completed and what is still outstanding.

At the start of October 2023, 10,450 (just over 50%) tenants have registered to access services via Housing Online.

We appreciate that some tenants may have difficulty initially signing up to the Housing Online service and reporting a repair for the first time. To address this, we have set up a dedicated Housing Online Support telephone line where officers will help set up online accounts and give guidance on how to report repairs.

We also understand there will be a small proportion of our tenants who are digitally excluded and will not be able to use the online service, perhaps because they do not have access to IT devices or Wi-Fi, a disability or a lack of skills or confidence to use this service. Where we identify that this is the case, we will flag this on our systems and the tenant will be able to continue to report their repairs to the Customer Support telephone line. No tenant will be left in the position where that they cannot report a repair. At the start of October 2023 we have assessed 1,968 tenants as being digitally excluded, who will continue to report their non-emergency repairs through the Customer Support telephone service.

During 2024 we will be rolling out the Housing Online service to enable the reporting of communal repairs and for leaseholders to report their repairs online.

It is important that we listen to tenants and leaseholders to understand their views on the Housing services they receive and how these can be improved. Particularly when improvements to neighbourhoods are being considered. We work closely with the Tenants' and Leaseholders' Forum which has representatives from across the city. We consult with the Forum for their views when key decisions are being considered.

During 2023, the Social Housing Regulation Act was introduced. The purpose of the new legislation is to ensure that social housing tenants live in homes which are of good quality, safe and well maintained. There is an expectation that tenants are provided with good quality services, when things go wrong, they are put right quickly and that landlords learn from their mistakes.

The Act puts the Social Housing Regulator's Standards on a statutory footing, which all social landlords must meet. During 2023 the Housing Regulator reviewed their Consumer Standards and, as a result, new requirements on social landlords will come into force from April 2024. Work is taking place to assess how we meet these new Standards and areas of work we need to focus on to meet our new legal requirements.

Through the Act, social landlords now have a statutory duty to submit Tenant Satisfaction Measure information to the Regulator on an annual basis from April 2024. The first part of this relates to the submission of performance information around repairs, anti-social behaviour and safety checks in properties. The second part will be results from an annual satisfaction survey.

To address the needs of people living in our 1,702 (April 2023) leasehold properties we have a Leaseholders Liaison Team who are responsible for responding to Council leaseholder queries and improving services to meet their needs. Regular Leaseholder Forums take place to allow leaseholders to discuss particular issues effecting this tenure type and to put forward suggestions for improvement.

Priority three – Making Leicester a low carbon city by improving the energy efficiency of homes

Leicester City Council has set an ambition to reach net zero carbon emissions by 2030, with housing a key area for action, as it is responsible for around a third of emissions within the city. This will build upon previous work within Housing, which has already delivered significant reductions in emissions, including Housing Capital Programme initiatives reducing CO_2 emissions from council houses by 58,523 tonnes between 2005 and March 2017.

We have been working towards improving the environmental impact of our homes for many years and during this time we have significantly reduced the CO2 emissions from our homes. This has been achieved by double glazed window replacements, new central heating installations, new energy efficient boilers, internal and external wall schemes and loft top up insulation works. We have also fitted solar panels. The homes being built as part of our current housebuilding programme have been designed to maximise energy efficiency.

However, in a climate emergency we must go even further, we have:

- undertaken climate change training for our staff to help them deliver our climate change commitments.
- Our house building programme will deliver new homes that have improved energy efficiency. This year the homes we are starting to build will be our most highly energy efficient council homes. These properties will have EPC energy ratings of A, which will be much better for the climate and more efficient for those living in them.
- We are encouraging tenants and leaseholders to play their part in helping fight the impacts of climate change. This includes the use of smart meters in their home so energy use can be measured.

- Our existing Council housing investment programmes continue to deliver loft insulation, A rated Boilers, LED lighting in communal areas, upgrading storage heaters to positively impact the efficiency of Council homes.

Priority four – Providing appropriate housing to match people's changing needs

The latest Housing Needs Assessment (Leicester City Local Housing Need Assessment & Update Addendum, 2022) identified that Leicester's net affordable housing need is 1,117 additional affordable housing homes per year. Of that total, there is a need for an extra 970 per year affordable rental properties in Leicester (over the period 2020-36) for those who cannot afford to rent, plus 147 Affordable Home Ownership dwellings per year for those who aspire to own.

Nearly half (45.9%) of Leicester's total affordable housing shortfall is for 3 bedroomed homes. Over a quarter (28.2%) of Leicester's total affordable housing shortfall is for 2 bedroomed homes. Just over an eighth (13.2%) of Leicester's total affordable housing shortfall is for 4 or more bedroomed homes. Just over an eighth (13%) of Leicester's total affordable housing shortfall is for 1 bedroomed homes.

In the past 4 years, we've had 916 new completions of affordable housing homes within the city – via new build, conversions and acquisitions. That's an average of 229 completions a year.

Over the next few years, we expect to see our new acquisition of the Zip Building being fully tenanted, dozens more individual properties acquired for affordable housing, progress on our new build council housing sites to include building work starting on a range of sites and completions coming through too.

Issues affecting our ability to provide new affordable housing include:

- The lack of available and viable sites for residential development.
- Poor and/or negligible success in securing new affordable housing supply via planning gain. Historically, a proportion of our new supply of affordable housing had been delivered via planning gain (Section 106 contributions). For a period now, the proportion and number of applicable planning consents which include planning gain affordable housing has been negligible.
- The delays to the new Local Plan process have resulted in delays in confirming potential future development sites.
- Changes to Right to Buy Receipts (RTBR) spending rules, in terms of capping the proportion of acquisitions funded, limits the number of RTBR funded acquisitions that can be purchased.
- Significant increases in actual and projected costs and inflation associated with housing development. This has been coupled with a shortage of construction labour and skills, significant shortage of materials and financial uncertainties.

Right to Buy sales reduce the number of council homes available at an affordable rent. In 2022/23, 329 homes were sold under the Right to Buy scheme, this was an increase of 18 sales when compared to the previous year.

At the 1st April 2022 there were 6,008 households on the Housing Register. 3,630 of these households needed re-housing due to their overcrowded situation. This is the most common reason for households joining the housing register and accounts for 60% of all households on the register. We have an Overcrowding Reduction Strategy in place to support the work we are doing to reduce the number of our tenants who are experiencing significant levels of overcrowding in their current accommodation.

Demand for Housing is very high in Leicester, but it is also a city with a relatively low average household income. For many, renting from the council or a housing association is the only hope of a decent and settled home.

In order to meet housing need, there is now an active programme of housing development through the Housing Revenue Account. During 2022/23, 53 new affordable homes were acquired and we were involved in building 17 new affordable homes through our own house building programme and in partnership with other social housing providers in the city. This work is continuing in 2023/24 and beyond.

Vacant Council properties are advertised through Leicester HomeChoice. In 2022/23, 679 households became new Council tenants.

We subscribe to the national Home Swapper Scheme that enables tenants to identify mutual exchanges. This is particularly important for those tenants who want to move but have a low priority on the Housing Register.

Each year the Capital Programme funds the adaptations of tenants' existing homes where Adult Social Care and Children's Services identify the current tenant or family members need those adaptations. During 2022/23, 108 minor adaptations took place in tenants' homes, such as ramps and door widening. There were also 402 major adaptations, such as level access showers, stair lifts and through floor lifts. This work will continue in 2024/25 in response to assessments by Adult Social Care and Children's Services. We are in the process of developing an Adaptations Strategy to tackle the current lack of suitable adapted housing available to help tenants to live well.

As well as providing homes, it is also important that we provide support to our tenants to maintain their tenancies. We have introduced a Sensitive Lets and Tenancy Support Procedure which helps to identify suitable housing for tenants who are vulnerable and have complex needs. This is to ensure tenants have the right support in place as soon as they move into their new home.

We have also introduced an 'enhanced letting standard' for new tenants who are leaving care or who have been homeless. Eligible new tenants coming through the 'leaving care' and 'homeless' pathways into our properties will benefit from the higher letting standard, which provides a fully decorated property and will help to support these people on their journey towards independent living.

The Supporting Tenants and Residents (STAR) service provides one-to-one support for council tenants who might otherwise lose their homes. Priority is given to support those who have been previously homeless and those who have other problems which means they are not coping or complying with tenancy conditions. The service also works closely with Children's Services to help looked after children, foster families, children leaving care and other vulnerable families. During 2022/23, there were just 5 evictions for rent arrears and no evictions for antisocial behaviour. We have a low eviction rate compared to other authorities, due to the comprehensive support and income collection work we undertake with tenants.

As part of the Council's response to the invasion of Ukraine, a team within STAR continues to operate to support Ukrainian Refugees to help them settle into their new homes and provide assistance with pathways to employment. The STAR service also includes the STAR AMAL team who provide support for Syrian refugees as part of the Government's resettlement programme.

Housing Officers undertake a programme of Welfare Visits to tenants who may be vulnerable. This contact is an opportunity for us to check whether the tenant is coping in their home and, where appropriate, we signpost or refer people to support services. This is a preventative measure to help sustain tenancies, ensure people are safe and well, and enables us to act before a crisis point is reached.

Our Tenancy Management and Homelessness Services have been successful in bidding for funding from Public Health England to address substance misuse. This award will fund a team of 7 housing related support workers for three years and will provide additional support to tenants with drug and alcohol dependency issues. The team will provide floating support to tenants in their own home to help sustain tenancies and help people engage with treatment services to aid their recovery.

Some people may not have all the skills needed to manage a new tenancy. To help address this need, we have created 11 "trainer accommodation" units in the ZIP building. This will provide people with 12 months accommodation in a supported environment. The support will include providing assistance with tasks, such as budgeting, maintaining a home, shopping and cooking, accessing community services, training and education, and keeping healthy. The aim of the project is to give people the skills and knowledge to be able to manage a home when a longer-term council tenancy is granted and to support the sustainment of their new home.

To build on this project we are currently developing a 10-year Housing Accommodation Strategy for people with multiple complex needs to help ensure that they get the support they require. We will be working with partners to develop and implement this strategy.

In 2022/23, 96.3% of Council tenancies were sustained. This means that 96.3% of people who became new tenants in 2021/22 remained in their tenancy 12 months later. This was a 0.7% increase on tenancy sustainment rates from the previous year During 2023/23, the STAR service provided longer term support to 453 households and provided short term support to a further 521 households.

Priority five – Making Leicester a place to do business, by creating jobs and supporting the local economy

The Housing Division made a significant contribution to the local economy. The Housing Division employs a workforce of just over 1,000 people, funded through the Housing Revenue Account. Additional employment is created with local firms through the procured contracts that the Housing Division has to undertake certain types of work for the Division.

The Housing Division continues to provide craft apprenticeship opportunities each year and has the largest programme in the Council. A number of existing posts this year have been converted into apprenticeship posts within Housing, creating even more of these opportunities in the city.

Housing’s Neighbourhood Improvement Scheme continues to help the long-term unemployed by giving pre-employment training and a period of 6- or 12-months’ work experience. Work experience is also offered to school students, graduates, and ex-offenders. During 2022/23, we have also taken up the opportunity to recruit to posts under the Government’s Kickstart Scheme, which provides funding to create jobs for unemployed 16 to 24 year olds.

We are working to deliver improved job opportunities for those facing homelessness. We have worked with partner organisations St Mungo’s and BEAM (charities that support people experiencing homelessness) to develop their skills as a step into work.

Appendix G

Feedback from consultation with the Tenants' and Leaseholders' Forum on the 14th December 2023

Forum representatives present: Joe Carroll, Jean Williams and Peter Hookway.

Chris Burgin, Director of Housing, presented the Housing Revenue Account budget proposals for 2024/25.

It was explained there would be £9.9m additional financial pressures, which would need to be funded to ensure a balanced budget, as this is a legal requirement.

It was explained that there were only 3 ways this money could be found:

- A rent increase to provide more income
- A scaling back of the Capital Programme to make savings
- Service cuts to make savings.

The Forum members raised concerns that the Housing Revenue Account would now need to fund £150k for charges to support the Regulatory of Social Housing's new regulation arrangements. They stated that this seemed a lot of money to pay from tenant's rents. Chris Burgin agreed with their concerns and explained that we had fed this back to the Housing Regulator, when they consulted on the proposed charges earlier in the year.

Council Tenant rent increase proposal

Chris Burgin explained that this year the Government is allowing social landlords to increase rents by a maximum of CPI + 1%. This is based on the September 2023 CPI rate of 6.7%.

It is therefore proposed that the rent increase for Leicester City Council tenants in 2024/25 is 7.7%. This additional income is required to support the balancing of the budget. It was explained that even with this increase Council tenant rents remain the lowest in the city. Also, from talking to other local authorities, they are proposing the same rent increase for their tenants.

Jean Williams stated she thought the 7.7% increase was too high and raised concerns that social rents were becoming no longer affordable. She stated there is a lot of poverty in the community and the increase will have most impact on those who are working. Also, people of pension age who have savings and are not entitled to additional benefits. Jean raised concerns about other increasing costs for these people, such as Council Tax rises. Jean stated she was aware some people's wages had increased over the last 12 months, but this additional money was being taken straight out by rising costs. Jean stated that a rent increase between 5.5% and 6.5% would be more acceptable.

Jean praised the support the Income Management Team provided, but stated she would like more information about other services operating in the city that could provide additional support to people who were struggling financially.

Joe Carroll stated he agreed with the views of Jean Williams in the fact that he thought the rent increase proposal was too high but understood why the proposal was being put forward.

Peter Hookway also believed the rent increase proposal was too high, but it was reflective of the world we are currently living in, and the financial pressures being felt.

In conclusion to this discussion the Forum members agreed this was a very difficult decision to make. Although they felt the proposed rent increase was too high, they did not support any service cuts or scaling back on the Capital Programme funding, to enable a lower rent increase.

<u>Other rent increase proposals</u>

The Forum members stated they were happy with the proposals for hostel, gypsy and traveller and garage rents. However, the following comments were made.

Joe Carroll asked why it was being proposed that Gypsy and Travellers site rent was only increasing by 5% and that Council tenant rents were increasing by 7.7%. He suggested the Gypsy and Traveller rents should increase in line with Council tenant rents. Chris Burgin explained that although the increase is proposed within the Housing Revenue Account report, services to Gypsy and Travellers are funded through the General Fund. The charges for these services should reflect the cost of delivering them and it is expected these will increase by 5% in 2024/25.

Joe Carroll also stated he would rather have the proposed garage rent increased, if the proposed Council tenant rent increase could be reduced. Chris Burgin explained that due to the relatively low number of garages, compared to Council homes this would not generate enough additional income to balance the budget.

<u>Service charge proposals</u>

Forum members welcomed the proposed 10.1% reduction in way lighting charges. They were generally supportive of the proposed 6.7% increase to other service charges, as this is to ensure the charge is reflective of the cost of delivering the services.

One area of concern raised was around the charges for communal cleaning as Forum members felt there were issues with the current service delivery and the quality of this. Chris Burgin explained that this had already been identified as an area for improvement. He made the commitment to carry out a full review of the cleaning specifications and costs associated with this service next year. The Forum members stated they supported this work.

District heating charge proposals

Chris Burgin explained that there were two proposals being put forward for the district heating charges for 2024/25. One was for those who had meters fitted to their properties and one for those where meters needed to be fitted under the current metering programme.

For those with meters it was proposed there would be an overall reduction of 24% in the fixed costs. Which meant people would be paying £91 less a year for these. Forecasts are predicting a reduction in gas prices and therefore it is proposed that the variable charge per each kilowatt of heat used will reduce by 29% equating to 3.6p to 8.7p.

Jean Williams stated the variable charge still appeared high, particularly for some properties in St Matthews that are on the end of the district heating network. This means they have to wait a longer time for the gas to reach their property when they turn on their heating, for which they are charged. Chris Burgin advised that a piece of work needs to take place to look at whether thermal efficiencies can be made to these properties to address this issue.

Chris Burgin explained that for those properties that are yet to have meters fitted we have no way of charging based on actual heat consumption. Therefore, weekly fixed charges will continue to be applied to these properties.

The reduction in the forecasted price of gas means that the fixed cost charges for tenants and leaseholders in 2024/25 will be over 9% below the capped level for 2023/24. On average this means that households will see a £151 annual reduction in their charges, down to an average charge of £1,460 for the year.

Jean Williams felt it was not fair that people with meters would see a 24% decease in their fixed costs (which does not include energy use), whereas people without meters would only see a 9% reduction in their fixed costs (which does include energy use).

Concerns were also raised about some properties in St Matthews and Aikman Avenue, where meters currently cannot be fitted under the current programme, due to the design of the properties. It was felt there was some inequality between households who can have a meter fitted and those who can't. Joe Carroll raised concerns that people without a meter have no control on their energy usage.

Chris Burgin advised the Forum members that a wider piece of work had already started to look at options around the DH network and for fitting meters in properties that are unable to have this under the current programme. This work would also include a review of the payment structure if it is determined meters cannot be fitted. The Forum members welcomed this work and asked for this to be reflected in the budget proposals for 2025/26.

Capital Programme proposals

Chris Burgin talked through the proposed changes to the Capital Programme for 2024/25. The Forum members were supportive of these proposals and the continued investment into our Council homes.

Leicester
City Council

Appendix H

M I N U T E   E X T R A C T

Minutes of the Meeting of the
HOUSING SCRUTINY COMMISSION

MINUTE EXTRACT – HOUSING SCRUTINY COMMISSION, 9 JANUARY 2023

9. HOUSING REVENUE ACCOUNT BUDGET (INCLUDING CAPITAL PROGRAMME) 2024/25

The Director of Housing presented the report in which it was noted that:

- The Housing Revenue Account Budget is associated to the income generated through rent and service charges for around nineteen thousand council homes in the city. It is a legal requirement that the income generated be ringfenced to be spent on services for council property tenants and that the account must balance.
- Around £100m is generated through rent and service charges each year but a £10m budget pressure exists relating to pay inflation, running costs, loss of income through the Right to Buy scheme and other pressures as outlined in the report.
- To ensure the HRA budget can balance in 2024/25 it is proposed that core rent be increased to its maximum CPI+1% and the capital programme be suppressed.
- The proposed rent increase equates to 7.7% which on average will be a £6.58 per week higher and an overall average rent of £85.48 which remains the lowest rent in the city and surrounding area. A lower percentage increase in core rent would create a shortfall and consequently prevent programmes of work and investment to be reduced to balance the budget. Other proposed increases to rent include garage rent by 7.7%, hostel and service charges by 5%, and Gipsy and Traveller plot rent by 5%.
- A reduction to charges for tenants and leaseholders is proposed for waylighting by 10% due to a fall in electricity costs. District heating charges are also proposed to be reduced given forecasted lower gas costs – for properties with metres, fixed costs will reduce by 24% and variable costs by 29%. The annual charge to properties supplied by the district heating system without a metre will also see an average reduction of 9.4%.
- The proposed capital programme for 2024/25 is £25.86m, including £15m for investing in new council homes and £10.86 to improve housing stock. Budgets will be increased for capital programmes such as kitchen and bathrooms, boiler replacements, re-wiring properties, re-roofing, soffit and facias as well as disabled adaptations.
- A £0.9m unallocated reserve is forecasted but due to ongoing pressures it is proposed not to utilise it for the 2024/25 budget.

- The tenants and leaseholders forum have been consulted on the proposals who acknowledged them to be fair given the financial pressures and to ensure the capital investment and delivery of services can be maintained.
- Further discussions will be held with members at the Executive and Overview Select committee before Full Council.

The Commission expressed their concerns with the proposed increased rent charges to tenants but acknowledged the difficult financial situation to ensure the budget can balance whilst providing services and investing in housing stock.

In response to questions and comments from Members, it was noted that:

- Around 60% of council tenants receive housing benefits that will increase in line with the proposed rent charges. The income management team proactively work with tenants to maximise income and identify sustainable and affordable repayment plans if they find themselves in financial difficulty. Receipt of rental income remains on track to be almost 100% with few evictions that are usually associated to abandonment and refusal to engage with the income management team.
- The increase to rent is proposed to come into effect in the new financial year, 1 April 2024.
- Part of the capital programme is utilised to acquire and build new council homes. The service will also continue to bid for eligible government grant schemes to maximise funding to increase housing stock to alleviate pressure on the housing register and generate rental income for the HRA.

The Deputy City Mayor for Housing and Neighbourhoods noted that other housing services are also delivered through the general fund and agreed to liaise with the Chair to ensure the Commission are able to scrutinise the HRA and wider budget moving forward.

The Chair invited the representative from the tenants and leaseholders forum for comments in which it was noted that the forum had been consulted on the proposals and overall in support. The Commission and Deputy City Mayor for Housing and Neighbourhoods expressed thanks to the Forum for their vital contribution and engagement.

AGREED:

- The Commission noted the report.
- The Chair to liaise with the Deputy City Mayor for Housing and Neighbourhoods and Director of Housing to determine how the Commission can scrutinise all budgets for housing services moving forward.

Equality Impact Assessment (EIA)

Title of proposal	Housing Revenue Account Budget (including Capital Programme) 2024 / 25
Name of division/service	Housing
Name of lead officer completing this assessment	Helen McGarry
Date EIA assessment commenced	20th November 2023
Date EIA assessment completed ***(prior to decision being taken as the EIA may still be reviewed following a decision to monitor any changes)***	To be added
Decision maker	Full Council
Date decision taken	21st February 2024

EIA sign off on completion:	**Signature**	**Date**
Lead officer		
Equalities officer (has been consulted)		
Divisional director		

Please ensure the following:

a) That the document is **understandable to a reader who has not read any other documents** and explains (on its own) how the Public Sector Equality Duty is met. This does not need to be lengthy but must be complete and based in evidence.
b) That available support information and data is identified and where it can be found. Also be clear about highlighting gaps in existing data or evidence that you hold, and how you have sought to address these knowledge gaps.
c) That the equality impacts are capable of aggregation with those of other EIAs to identify the cumulative impact of all service changes made by the council on different groups of people.
d) That the equality impact assessment is started at an early stage in the decision-making process, so that it can be used to inform the consultation, engagement and the decision. It should not be a tick-box exercise. Equality impact assessment is an iterative process that should be revisited throughout the decision-making process. It can be used to assess several different options.
e) Decision makers must be aware of their duty to pay 'due regard' to the Public Sector Equality Duty (see below) and 'due regard' must be paid before and at the time a decision is taken. Please see the Brown Principles on the equality intranet pages, for information on how to undertake a lawful decision-making process, from an equalities perspective. Please append the draft EIA and the final EIA to papers for decision makers (including leadership team meetings, lead member briefings, scrutiny meetings and executive meetings) and draw out the key points for their consideration. The Equalities Team provide equalities comments on reports.

1. Setting the context

Describe the proposal, the reasons it is being made, and the intended change or outcome. Will the needs of those who are currently using the service continue to be met?

The Housing Revenue Account (HRA) operates in a self-financing environment. This means the budget is set by the Council, within Government boundaries, taking into account expected levels of income and predictions on what needs to be spent. Spending priorities are made based on the need to achieve the right balance between investing in, maintaining and improving the housing stock, providing landlord services to tenants, building new homes and supporting and repaying housing debt of £260m.

There is a requirement that the proposed budget for 2024/25 is set as a balanced budget (money spent does not exceed the income received). However, there are a number of pressures (most of which are unavoidable) that are increasing the amount which must be spent. These pressures include:

<u>Staff pay inflation</u>

An assumed pay award for 2024/25 of 5% has been built into this budget resulting in an increase in pay costs of £1.9m.

<u>Running cost inflation</u>

Inflation affects almost all areas of HRA running costs and is largely unavoidable. Most significantly for 2024/25, materials and contractor inflation are forecast to be £1.2m higher. Services which are provided to the HRA by other parts of the council are also subject to inflation pressures, and these costs are then passed on to the HRA, adding £0.6m in 2024/25.

<u>Interest & Debt</u>

Borrowing is used to part finance new build and the buying of properties to increase the levels of affordable housing. Money is set aside each year for the re-payment of this debt. The growth in the number of affordable properties means that more debt is now being repaid each year, and this will increase by £0.75m in 2024/25. However, it is anticipated that over £1m additional rental income will be received from properties recently built and bought.

The HRA incurs interest charges on the outstanding borrowing, and is exposed to changes in interest rates. It is expected that these charges will increase by £2.5m in 2024/25. However, the HRA also holds cash balances on which it earns interest and increased rates will result in an extra £0.6m being earned in interest.

<u>Right to Buy</u>

Council tenants have the Right to Buy their council home at a discount of up to 70% of the property value. Right to Buy sales puts pressure on the HRA because it means there is a loss of rental income from the properties sold. The HRA budget proposals for 2024/25 predicts that there will be 275 sales, which will result in a rental income loss of £1.2m.

<u>Capital Expenditure funded from Revenue</u>

The source of funding for the maintenance aspects of the HRA capital programme (i.e. excluding affordable housing) is from revenue resources, which in 2023/24 amounted to £10.2m. This was particularly low due to the need to finance subsidy costs for those on the District Heating scheme. In 2024/25 the figure for capital expenditure funded from revenue increases to £10.9m, representing a revenue cost of £0.6m.

<u>Other Pressures</u>

There continue to be a high number of claims for property disrepair. Whilst almost all of these claims have little or no basis, additional legal costs are being incurred to manage this, along with the cost of any works required, adding £1.2m to costs in 2024/25.
There are always periods of time during which properties are not occupied, predominantly the void period between the end of one tenancy and the start of the next. With an increased focus on void work, and a reduction to some aspects of the Capital Programme, the opportunities for the repairs and maintenance service to be able to capitalise their costs have reduced. This will add additional costs to the HRA of £420k during 2024/25.

Difficulties in the recruitment of craft operatives in recent years has highlighted the need to expand the existing apprenticeship programme. The 2024/25 HRA budget proposes an increase of 10 full time apprenticeship posts at an annual cost of £202k.

The Regulator of Social Housing is introducing changes to its fee charging structure, reflecting changes to its role. This will result in an additional cost of £113k.

Through the Rent Standard, central government set the rules governing the maximum rent which may be charged and maximum annual rent increases, which is currently CPI+1%. As at September 2023 this means the maximum permitted rent increase social landlords can implement is 7.7%.

Taking into account all the pressures being felt, the Housing Revenue Account Budget proposals for 2024/25 is recommending a 7.7% increase to Council tenant rents. It is reported that applying a rent increase less than 7.7% would either result in scaling back the Capital Programme , a draw on limited reserves, or revenue service cuts.
As well as this proposed rent increase for 2024/25 the following recommendations are put forward:

- A 5% increase in hostel rents and service charges, which aligns with the estimated increase in pay increases for the delivery of services.

- Whilst the Gipsy and Traveller sites sit outside the Housing Revenue Account, it is proposed that a 5% rental increase be applied, in line with estimates on pay increases for the delivery of services.

- Increasing garage rents by 7.7%.

- Service charges - These should be set with the intention of recovering the full cost of providing the service. It is proposed that a 6.7% increase is applied in line with inflation (CPI), other than for waylighting and district heating.

- Waylighting charges are set to cover the cost of energy used. The Council purchases electricity in advance so the cost is partially known for the period from October 2023 to September 2024; this has risen by approximately 12%. However, the forecast for the second half of the year is for a 25% - 30% reduction. When combined, this results in a forecast reduction in electricity prices for 2024/25 of 10.1%. It is therefore proposed to reduce the waylighting charge by 10.1%.

- District heating charges (metered properties) – It is proposed that tenants and leaseholders on the district heating scheme, who have meters fitted in their homes, will have an annual charge of £284.90 applied for the provision of the service, a reduction from £375.90 in 2023/24. This covers fixed charges, billing and collection, and VAT. Through the fitting of meters in properties these tenants and leaseholders will be able to control the amount of energy they use in their property. It is proposed the variable charge p/kwh of heat will be £8.70, a reduction from £12.31 for 2023/24. The cost of energy use will be charged in addition to the fixed charges and will be dependent on the energy use of each household.

- District heating charges (non metered properties) - Where meters are not fitted in properties there is no way of charging based on actual energy consumption. It is therefore proposed that a combined annual cost is charged (fixed costs for providing the service and energy use) on average, £1,460. This is a reduction from the average annual charge of £1.611 in 2023/24.

The following projects are those where it is proposed changes are made to the allocation of funding through the Capital Programme:

- Over £215m has been added to the Capital Programme since November 2019 to support the programme of new build and property acquisitions. It is proposed a further £15m is added to the Capital Programme in 2024/25.

- Increasing the budget for kitchen and bathroom replacements from £2m in 2023/24 to £2.8m in 2024/25.

- Increasing the budget for boiler replacements from £2.3m in 2023/24 to £2.5m in 2024/25.

- Re-instatement of the budget for re-roofing, soffits and facias work of £1.15m.

- The 2023/24 budget added an amount of £2.8m for the installation of meters in properties on the district heating scheme. As this was a one-off financial outlay it is not required for the 2024/25 budget. However, the budget of £0.5m for district heating maintenance work will remain. This cost is not passed on to tenants and leaseholders.

- Due to the increasing demand for adaptations in tenants' homes it is proposed the budget for this work is increased from £800k in 2023/24 to £1.2m in 2024/25.

- During 2023/24 £0.5m was allocated to the Capital Programme to undertake minor work at sheltered housing accommodation. As a wider review of sheltered housing is planned, this means the budget for minor work is not currently required.

The main service need of tenants is that they have a suitably sized, Decent Home, maintained through an effective repairs service with quality tenancy and estate management services. Current service user needs will continue to be met with the recommendations being made.

2. Equality implications/obligations

Which aims of the Public Sector Equality Duty (PSED) are likely be relevant to the proposal? In this question, consider both the current service and the proposed changes.

a. Eliminate unlawful discrimination, harassment and victimisation

- How does the proposal/service aim to remove barriers or disproportionate impacts for anyone with a particular protected characteristics compared with someone who does not share the same protected characteristics?
- Is this a relevant consideration? What issues could arise?

Some households may experience a rise in costs and therefore it will impact on their personal budgets and disposable income. This will impact on people across all protected characteristics but has been looked at in more detail in section 6 of the report. Support is in place through the Supporting Tenants and Residents service (STAR) and the Income Management Team for tenants and leaseholders to access services and manage their tenancy.

Some of the potential barriers may relate to:

- Customer access to information about the changes
- How information is communicated to users
- The ease of use of information provided
- Availability in different language formats
- Information provided on rights and /or entitlements
- Information on which agencies can help with money / debt advice (promotion of this to tenants and leaseholders)
- Physical access to services
- Monitoring of potential adverse impact on particular groups

b. Advance equality of opportunity between different groups

- Does the proposal/service advance equality of opportunity for people?
- Identify inequalities faced by those with specific protected characteristic(s).
- Is this a relevant consideration? What issues could arise?

The proposals continue to commit to the provision of Decent Homes to council tenants and equality of opportunity for people to have Decent Homes to live in, which includes carrying out adaptations for those with a disability. The standard of accommodation in council owned properties is higher than in some areas of the private sector.

c. Foster good relations between different groups

- Does the service contribute to good relations or to broader community cohesion objectives?
- How does it achieve this aim?
- Is this a relevant consideration? What issues could arise?

Maintaining properties and making improvements on estates creates an environment where people are satisfied with their homes and the area they live in, reducing the likelihood of anti-social behaviour and community tensions.

3. Who is affected?

Outline who could be affected, and how they could be affected by the proposal/service change. Include people who currently use the service and those who could benefit from, but do not currently access the service. Where possible include data to support this.

All tenants and leaseholders of Leicester City Council will be impacted upon by the proposals (just over 19,000 tenanted properties and approximately 1,600 leasehold properties).
All Council tenants will be charged more rent. The current average rent for a Council property is £85.48 per week. The proposals will mean, on average, tenants will be charged an additional £6.58 per week. The additional amount tenants will actually have to pay is dependent on the number of bedrooms in their property. This weekly increase will range from £5.21 per week for a bedsit and £11.37 per week for a 7-bedroom property.
Tenants in receipt of full Housing Benefit or in receipt of full Universal Credit Housing costs will have the additional charges paid through their benefit entitlement. We know that this applies to approximately 65% of our tenants. Therefore the proposed increased rent charges will depend on a tenants' financial situation and will impact upon approximately 35% of tenants who are in receipt of partial or no Housing Benefit or Universal Credit Housing Costs.

37 Gypsy and Traveller households, who rent pitches from the council will be impacted upon by the proposed 5% increase in charges for these. Those households in receipt of full Housing Benefit or those that receive Universal Housing Costs will have the increased charges paid through their benefit entitlement.
The 5% increase for hostel rents and service charges will impact on single people and couples who are homeless and currently in temporary accommodation in the Dawn Centre. All individuals staying in this accommodation are eligible for Housing Benefit or Universal Credit Housing Costs, so the increased charge will be paid through their benefit entitlement.
Service charges are paid in addition to rent where additional services are provided. Individual service charges for tenants vary due the additional services. Where service charges are in place tenants and leaseholders will need to pay an additional 6.7% for these, with the exception of waylighting, where there is a proposed 10.1% reduction in charges. The table below shows the financial impact of the proposed charges and the number of tenants impacted upon by each of these.

Tenant Service Charges	**Approx. Number of Tenants**	**Current Average Weekly Charge**	**Proposed Change**	**Proposed Weekly Charge**	**Annual Impact per Dwelling**
Waylighting	6,200	£3.63	-10.1%	£3.27	-£18
Security	1,499	£5.55	6.70%	£5.92	£19
TV Receiving Service	5,448	£0.72	6.70%	£0.77	£2
Cleaning	3,972	£3.46	6.70%	£3.69	£12
Laundry	745	£1.43	6.70%	£1.53	£5
Furniture / White Goods	665	£2.14	6.70%	£2.29	£7
Sheltered Lounge	390	£2.65	6.70%	£2.83	£9
Energy Conservation	27	£2.21	6.70%	£2.36	£7
Access to Parking Spaces	11	£1.07	6.70%	£1.14	£4
Door Entry	3,982	£3.33	6.70%	£3.55	£11

Approximately 1,900 tenants and an additional 1,000 other households are connected to the district heating scheme. These charges are not covered by Housing Benefit or Universal Credit Housing Costs, so all tenants and other households on the scheme will be impacted upon by the proposals. The Council is undertaking a programme to fit meters into properties served by district heating. This means households will have greater control of their energy usage and the costs associated with this, which could reduce. At the start of November 2023 approximately 600 properties have had meters installed. This number will increase as the meter fitting programme progresses. The table below states how tenants and other households, with meters will benefit from reduced fixed costs during 2024 / 25. The table also provides information on how tenants and other households will benefit from lower variable charges per KHW of heat in 2024 / 25. It also provides examples of the potential savings for households in a 1 and 3-bedroom property, based on an assumed energy consumption level.

	23/24 Annual Charge for Tenants	**24/25 Annual Charge for Tenants**	**Difference from 23/24 to 24/25**
Fixed Charges	£280	£193	(£87)
Billing & Collection	£75	£75	£0
Fusion Fee on Billing & Collection	£3	£3	£0
VAT on the above (@5%)	£17.90	£14	(£4)
Total Fixed Charges	**£375.90**	**£284.90**	**(£91)**

Weekly Charge (over 50 weeks)	**£7.52**	**£5.70**	**(£1.82)**

Variable Charge p/kWh of Heat	**12.31p**	**8.70p**	**(3.60p)**

Annual Charge for 1-bed (assumed 8,000kWh)	**£1,360**	**£981**	**(£379)**
Annual Charge for 3-bed (assumed 12,000kWh)	**£1,853**	**£1,329**	**(£523)**

At the start of November 2023 approximately 2,300 tenants and other households on the district heating scheme do not have meters fitted to their home. This number will reduce as the meter fitting programme progresses. District heating charges to these households will include both fixed costs and costs for the use of energy. The proposed charges vary, dependant on the number of bedrooms in a property. The table below shows how the proposed reduction in charges will impact households in each bedroom category.

	2023/24 Annual Charge	**2024/25 Annual Charge**	**Difference from 23/24 to 24/25**
1 bed	£1,325	£1,188	(£137)
2 bed	£1,806	£1,646	(£160)
3 bed	£2,254	£2,071	(£182)
4 bed	£2,717	£2,512	(£204)
Other	£740	£631	(£109)
Average	**£1,611**	**£1,460**	**(£151)**

Average Weekly Charge (50 weeks)	**£32.22**	**£29.20**	**(£3.02)**

Council owned garages are rented out to members of the public generally, not just Council tenants. The charge is not covered by Housing Benefit or Universal Credit. We currently have 534 garages rented out, so the proposed 7.7% increase will impact upon these people. On average people renting Council garages will see an increase in charges from £9.98 per week to £10.75.
The above proposals will also impact households who become new tenants and new leaseholders in 2024/25. Also, new people accessing temporary accommodation, and renting a garage from the Council.
The Housing Capital Programme generally benefits all tenants and leaseholders in the city. Projects to improve individual properties are decided on their condition to meet health and safety regulations. The impact for tenants and leaseholders will generally be positive as properties and areas are improved.
The proposed additional Capital investment of £15m into the housebuilding and acquisitions programme will benefit vulnerable households on the Housing Register and in housing need.

4. Information used to inform the equality impact assessment

- What **data, research, or trend analysis** have you used?
- Describe how you have got your information and what it tells you

- Are there any gaps or limitations in the information you currently hold, and how you have sought to address this? E.g. proxy data, national trends, equality monitoring etc.

Tenant profiling information has been collected and analysed from the NEC IT system (See profiling information at the end of the EIA.) This includes information on ages, ethnic origin, disability, gender, sexuality and religion.
For tenants there are gaps in data in relation to gender re-assignment, marriage and civil partnership, pregnancy and maternity and sexual orientation. There is also limited information collected specifically about disabilities.
We also have limited profiling information in relation to leaseholders.

For those tenants with protected characteristics commented upon in Section 6 below we know:

18,011 are of working age (18 – 65)
2003 have a disability
11,748 have a white background and 6,555 have other ethnic backgrounds
13,729 are female
45 are Gay (male) and 46 are Gay (female / lesbian)

5. Consultation

Have you undertaken consultation about the proposal with people who use the service or people affected, people who may potentially use the service and other stakeholders? What did they say about:

- What is important to them regarding the current service?
- How does (or could) the service meet their needs? How will they be affected by the proposal? What potential impacts did they identify because of their protected characteristic(s)?
- Did they identify any potential barriers they may face in accessing services/other opportunities that meet their needs?

Consultation with the Tenants' and Leaseholders Forum is to take place on Thursday 14th December 2023 and this EIA will be reviewed and updated following their feedback.

6. Potential Equality Impact

Based on your understanding of the service area, any specific evidence you may have on people who use the service and those who could potentially use the service and the findings of any consultation you have undertaken, use the table below to explain which individuals or community groups are likely to be affected by the proposal because of their protected characteristic(s). Describe what the impact is likely to be, how significant that impact is for individual or group well-being, and what mitigating actions can be taken to reduce or remove negative impacts. This could include indirect impacts, as well as direct impacts.

Looking at potential impacts from a different perspective, this section also asks you to consider whether any other particular groups, especially vulnerable groups, are likely to be affected by the proposal. List the relevant groups that may be affected, along with the likely impact, potential risks and mitigating actions that would reduce or remove any negative impacts. These groups do not have to be defined by their protected characteristic(s).

Protected characteristics

Impact of proposal:
Describe the likely impact of the proposal on people because of their protected characteristic and how they may be affected. Why is this protected characteristic relevant to the proposal? How does the protected characteristic determine/shape the potential impact of the proposal? This may also include **positive impacts** which support the aims of the Public Sector Equality Duty to advance equality of opportunity and foster good relations.

Risk of disproportionate negative impact:
How likely is it that people with this protected characteristic will be disproportionately negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected?

Mitigating actions:
For disproportionate negative impacts on protected characteristic/s, what mitigating actions can be taken to reduce or remove the impact? You may also wish to include actions which support the positive aims of the Public Sector Equality Duty to advance equality of opportunity and to foster good relations. All actions identified here should also be included in the action plan at the end of this EIA.

a. Age

Indicate which age group/s is/ are most affected, either specify general age group (children, young people, working aged people or older people) or specific age bands.

What is the impact of the proposal on age?

With the Cost of Living Crisis earnings have not kept up with inflation over the last 12 months so working households are likely to already be facing pressures on household budgets. Younger people, and particularly children, are more likely to be in poverty before the current Cost of Living Crisis and this is likely to continued.

What is the risk of disproportionate negative impact on age?

Incomes continue to be squeezed through reducing real term wages for working age households and families with children.

What are the mitigating actions?

Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets. Also, promotion of any Government financial schemes for vulnerable households to provide support with energy and living costs. However, it has not yet been announced as to whether this support will be provided by Government in 2024/25

b. Disability

A person has a disability if she or he has a physical or mental impairment which has a substantial and long-term adverse effect on that person's ability to carry out normal day-to-day activities. If specific impairments are affected by the proposal, specify which these are. Our standard categories are on our equality monitoring form – physical impairment, sensory impairment, mental health condition, learning disability, long standing illness, or health condition.

What is the impact of the proposal on disability?

Disabled people are more likely to be in poverty. In addition, many disabled people are disproportionately affected by household fuel costs and may have limited opportunities to reduce usage.

The rent and service charge increases could have an impact on such household incomes.

Through the Affordable Housing Programme, people with a disability, who are waiting for re-housing on the Housing Register may be offered accommodation to meet their needs sooner.
The proposed increase to the adaptations budget, through the Capital Programme, may allow for more work to be carried out, and sooner, for tenants with a disability.

What is the risk of disproportionate negative impact on disability?
Further erosion of the quality of life being experienced by disabled people.

What are the mitigating actions?
Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets. Also, promotion of any Government financial schemes for vulnerable households to provide support with energy and living costs. However, it has not yet been announced as to whether this support will be provided by Government in 2024 / 25.

The programme in place to install meters in properties on the District Heating network, will give disabled households more control over their energy use and costs.

c. Gender reassignment

Indicate whether the proposal has potential impact on trans men or trans women, and if so, which group is affected. a trans person is someone who proposes to, starts, or has completed a process to change his or her gender. A person does not need to be under medical supervision to be protected.

What is the impact of the proposal on gender reassignment?

No disproportionate impact is attributable specifically to this characteristic.

What is the risk of disproportionate negative impact on gender reassignment?
Not applicable

What are the mitigating actions?
Not applicable

d. Marriage and civil partnership

Please note that the under the Public Sector Equality Duty this protected characteristic applies o the first general duty of the Act, eliminating unlawful discrimination, only. The focus within this is eliminating discrimination against people that are married or in a civil partnership with regard specifically to employment.

What is the impact of the proposal on marriage and civil partnership?
No disproportionate impact is attributable specifically to this characteristic

What is the risk of disproportionate negative impact on marriage and civil partnership?
Not applicable

What are the mitigating actions?
Not applicable

e. Pregnancy and maternity

Does the proposal treat someone unfairly because they're pregnant, breastfeeding or because they've recently given birth.

What is the impact of the proposal on pregnancy and maternity?
No disproportionate impact is attributable specifically to this characteristic

What is the risk of disproportionate negative impact on pregnancy and maternity?
Not applicable

What are the mitigating actions?
Not applicable

f. Race

Race refers to a group of people defined by their race, colour, and nationality (including citizenship) ethnic or national origins. A racial group can be made up of two or more distinct racial groups, for example Black Britons, British Asians, British Sikhs, British Jews, Romany Gypsies and Irish Travellers.

What is the impact of the proposal on race?
Those from white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of benefits. Some ethnic minority people are also on low income and on benefits, this will include our Gypsy and Traveller tenants who rent pitches from the council.

A large proportion of properties in the centre area of the city are on the District Heating scheme. We know a higher proportion of people with a Black, Asian and other ethnic background live in this area, so they could be more impacted upon by the District Heating charge proposals.

What is the risk of disproportionate negative impact on race?
Household income being further squeezed through low wages and reducing levels of benefit income. There is a direct impact on Gypsy and Traveller families who may not be able to afford the proposed increased charges for pitch rents.

What are the mitigating actions?
Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Also, promotion of any Government financial schemes for vulnerable households to provide support with energy and living costs. However, it has not yet been announced as to whether this support will be provided by Government in 2024 / 25.

Where required, interpretation and translation will be provided to remove barriers in accessing support.
The programme in place to install meters in properties on the District Heating network, will give households more control over their energy use and costs

The City Council employs a Gypsy and Traveller Manager to manage our sites and provide support to people living on these. Communication about the proposed changes will take place. Gypsy and Travellers will be provided with specific support from this officer if they are facing financial difficulties.

g. Religion or belief

Religion refers to any religion, including a lack of religion. Belief refers to any religious or philosophical belief and includes a lack of belief. Generally, a belief should affect your life choices or the way you live for it to be included in the definition. This must be a belief and not just an opinion or viewpoint based on the present state of information available and;

- be about a weighty and substantial aspect of human life and behaviour
- attain a certain level of cogency, seriousness, cohesion, and importance, and
- be worthy of respect in a democratic society, not incompatible with human dignity and not in conflict with fundamental rights of others. For example, Holocaust denial, or the belief in racial superiority are not protected.

Are your services sensitive to different religious requirements e.g., times a customer may want to access a service, religious days and festivals and dietary requirements

What is the impact of the proposal on religion or belief?
No disproportionate impact is attributable specifically to this characteristic.

What is the risk of disproportionate negative impact on religion or belief?
Not applicable

What are the mitigating actions?
Not applicable

h. Sex

Indicate whether this has potential impact on either males or females.

What is the impact of the proposal on sex?
Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents, who are more likely to experience poverty

What is the risk of disproportionate negative impact on sex?
Incomes squeezed through low wages and reducing levels of benefit income. Increased risk for women as they are more likely to be lone parents.

What are the mitigating actions?
If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources.

Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Also, promotion of any Government financial schemes for vulnerable households to provide support with energy and living costs. However, it has not yet been announced as to whether this support will be provided by Government in 2024 / 25.

i. Sexual orientation

Indicate if there is a potential impact on people based on their sexual orientation. The Act protects heterosexual, gay, lesbian or bisexual people.

What is the impact of the proposal on sexual orientation?

Gay men and Lesbian women are more likely to be in poverty than heterosexual people and trans people even more likely to be in poverty and unemployed.

What is the risk of disproportionate negative impact on sexual orientation?

Household income being further squeezed through low wages and reducing levels of benefit income.

What are the mitigating actions?

Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Also, promotion of any Government financial schemes for vulnerable households to provide support with energy and living costs. However, it has not yet been announced as to whether this support will be provided by Government in 2024 / 25.

7. Summary of protected characteristics

a. Summarise why the protected characteristics you have commented on, are relevant to the proposal?

All protected characteristics have been commented on because the budget proposals will impact upon all tenants and leaseholders.

b. Summarise why the protected characteristics you have not commented on, are not relevant to the proposal?

Not applicable

8. Armed Forces Covenant Duty

The Covenant Duty is a legal obligation on certain public bodies to 'have due regard' to the principles of the Covenant and requires decisions about the development and delivery of certain services to be made with conscious consideration of the needs of the Armed Forces community.

When Leicester City Council exercises a relevant function, within the fields of healthcare, education, and housing services it must have due regard to the aims set out below:

a. The unique obligations of, and sacrifices made by, the Armed Forces

These include danger; geographical mobility; separation; Service law and rights; unfamiliarity with civilian life; hours of work; and stress.

b. The principle that it is desirable to remove disadvantages arising for Service people from membership, or former membership, of the Armed Forces

A disadvantage is when the level of access a member of the Armed Forces Community has to goods and services, or the support they receive, is comparatively lower than that of someone in a similar position who is not a member of the Armed Forces Community, and this difference arises from one (or more) of the unique obligations and sacrifices of Service life.

c. **The principle that special provision for Service people may be justified by the effects on such people of membership, or former membership, of the Armed Forces**
Special provision is the taking of actions that go beyond the support provided to reduce or remove disadvantage. Special provision may be justified by the effects of the unique obligations and sacrifices of Service life, especially for those that have sacrificed the most, such as the bereaved and the injured (whether that injury is physical or mental).

Does the service/issue under consideration fall within the scope of a function covered by the Duty (healthcare, education, housing)? Which aims of the Duty are likely be relevant to the proposal? In this question, consider both the current service and the proposed changes. Are members of the Armed Forces specifically disadvantaged or further disadvantaged by the proposal/service? Identify any mitigations including where appropriate possible special provision.

A local authority must consider the principles of the Covenant when carrying out specific housing-related functions, including:

- Processing homeless applications
- Allocating social housing properties
- Formulating tenancy and homelessness policies

All these policies will take on board impacts on the armed forces

9. Other groups

Other groups

Impact of proposal:
Describe the likely impact of the proposal on children in poverty or any other people who we may consider to be vulnerable, for example people who misuse substances, care leavers, people living in poverty, care experienced young people, carers, those who are digitally excluded. List any vulnerable groups likely to be affected. Will their needs continue to be met? What issues will affect their take up of services/other opportunities that meet their needs/address inequalities they face?

Risk of disproportionate negative impact:
How likely is it that this group of people will be negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected?

Mitigating actions:
For negative impacts, what mitigating actions can be taken to reduce or remove this impact for this vulnerable group of people? These should be included in the action plan at the end of this EIA. You may also wish to use this section to identify opportunities for positive impacts.

a. Children in poverty

What is the impact of the proposal on children in poverty?

Households with children living in poverty are likely to face difficulties generally, with the rising costs of living.

What is the risk of negative impact on children in poverty?
There is a risk that an increasing number of households with children living in poverty are unable to afford all essential items for day-to-day living.

What are the mitigating actions?
Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Also, promotion of any Government financial schemes for vulnerable households to provide support with energy and living costs. However, it has not yet been announced as to whether this support will be provided by Government in 2024/25.

b. Other vulnerable groups

What is the impact of the proposal on other vulnerable groups?
None known at present

What is the risk of negative impact on other vulnerable groups?
Not applicable

What are the mitigating actions?
Not applicable

c. Other (describe)

What is the impact of the proposal on any other groups?
No potential impact

What is the risk of negative impact on any other groups?
Not applicable

What are the mitigating actions?
Not applicable

10. Other sources of potential negative impacts

Are there any other potential negative impacts external to the service that could further disadvantage service users over the next three years that should be considered? For example, these could include:

- other proposed changes to council services that would affect the same group of service users;
- Government policies or proposed changes to current provision by public agencies (such as new benefit arrangements) that would negatively affect residents;
- external economic impacts such as an economic downturn.

The wider cost of living crisis and rise in energy bills over the last 18 months has put additional financial pressure on all households and it is likely this will continue for the foreseeable future. During 2023/24 the Government provided additional financial support for people on means-tested benefits. These households received an extra £900 to help meet the additional costs of living, with a further £300 for pensioners and £150 for disabled people. At present it is not known whether the Government will provide similar financial support in 2024/25

11. Human rights implications

Are there any human rights implications which need to be considered and addressed (please see the list at the end of the template), if so, please outline the implications and how they will be addressed below:

No known impacts

12. Monitoring impact

You will need to ensure that monitoring systems are established to check for impact on the protected characteristics and human rights after the decision has been implemented. Describe the systems which are set up to:

- monitor impact (positive and negative, intended and unintended) for different groups

- monitor barriers for different groups
- enable open feedback and suggestions from different communities
- ensure that the EIA action plan (below) is delivered.

If you want to undertake equality monitoring, please refer to our equality monitoring guidance and templates.

Our IT system allows us to monitor tenants rent accounts, including district heating payments and see when accounts go into arrears. Our Income Management Team carries out this monitoring on a daily basis. Through this monitoring we will be able to identify any increases in rent arrears, relating to the proposed increased charges and provide support to tenants to reduce these and maximise their income.

13. EIA action plan

Please list all the equality objectives, actions and targets that result from this assessment (continue on separate sheets as necessary). These now need to be included in the relevant service plan for mainstreaming and performance management purposes.

Equality Outcome	**Action**	**Officer Responsible**	**Completion date**
All tenant and leaseholders are able to pay their rent, service and district heating charges.	The service needs to ensure that they effectively communicate information about the increase in charges as well what advice and assistance is available to tenants, so they are able to access benefits and entitlements. Provide translated materials/options where required.	Chris Burgin – Director of Housing	Ongoing
Households have access to financial help and assistance if they find they are unable to pay for the additional charge	Referrals to the Income Management Team and financial support services in the city. Inform LGBT Centre of support services available for anyone from that characteristic accessing their services.	Zenab Valli – Income Collection Manager	Ongoing

Human rights articles:

Part 1: The convention rights and freedoms

Article 2: Right to Life
Article 3: Right not to be tortured or treated in an inhuman or degrading way
Article 4: Right not to be subjected to slavery/forced labour
Article 5: Right to liberty and security
Article 6: Right to a fair trial
Article 7: No punishment without law
Article 8: Right to respect for private and family life
Article 9: Right to freedom of thought, conscience and religion
Article 10: Right to freedom of expression
Article 11: Right to freedom of assembly and association
Article 12: Right to marry
Article 14: Right not to be discriminated against

Part 2: First protocol

Article 1: Protection of property/peaceful enjoyment
Article 2: Right to education
Article 3: Right to free elections

Tenant profiling information – November 2023

*There are just over 19,000 Council properties. Some tenancies are in sole names and some are held jointly. The profiling information below accounts for all tenants, so this will not correlate with the actual number of properties.

<u>Ethnicity</u>

Ethnicity		Number of tenants	% of tenants
Asian	Arab	5	0.02%
Asian	Asian/Asian Brit of Other Asian Origin	745	3.18%
Asian	Asian/Asian British of Bangladeshi Orig	264	1.13%
Asian	Asian/Asian British of Chinese Origin	30	0.13%
Asian	Asian/Asian British of Indian Orig	1917	8.19%
Asian	Asian/Asian British of Pakistani Orig	337	1.44%
Black	Black/Black British of African Origin	1704	7.28%
Black	Black/Black British of Caribbean Origin	412	1.76%
Black	Black/Black British of Other Blk Bckgrnd	225	0.96%
Black	Black/Black British of Somali Orig	535	2.29%
Dual Heritage	Dual/MH Asian & White	64	0.27%
Dual Heritage	Dual/MH Black African & White	68	0.29%
Dual Heritage	Dual/MH Black Caribbean & White	252	1.08%
Other	Any Other Ethnic Group	587	2.51%
Other	Any other Heritage Background	143	0.61%
Other	Other Eth Group Gypsy/Romany/Irish Trav	43	0.18%
Prefer Not to Say	Prefer Not to Say	661	2.83%
Unknown / Not Recorded	Ethnicity Unknown	3655	15.62%
White	White British	10521	44.97%
White	White of European Origin	616	2.63%
White	White of Irish Origin	127	0.54%
White	White of Other White Background	484	2.07%
Total		**23,386**	**100.00%**

Age

Age	Number of Tenants	% of tenants
0 – 17	19	0.08%
18 – 21	133	0.57%
22 – 30	1389	5.94%
31 – 40	4143	17.72%
41 – 50	5184	22.17%
51 – 60	5061	21.64%
61 – 65	2101	8.98%
66 - 74	2840	12.14%
75+	2343	10.02%
Not known	173	0.74%
Total	**23386**	**100%**

Gender

Gender	Number of tenants	% of tenants
Female	13729	58.71%
Male	9636	41.20%
Non binary	2	0.01%
Prefer to say	9	0.04%
Transgender	10	0.04%
Total	**23386**	**100%**

Religion or belief

Religion	Number of tenants	% of tenants
Not recorded	12176	52.07%
Atheist	347	1.48%
Buddhist	18	0.08%
Christian	2853	12.20%
Hindu	533	2.28%
Jain	2	0.01%
Jewish	9	0.04%
Muslim	2924	12.50%
No religion	2964	12.67%
Other	348	1.49%
Prefer not to say	1098	4.70%
Sikh	114	0.49%
Total	**23386**	**100%**

Sexual orientation

Sexual orientation	Number of tenants	% of tenants
Bisexual	207	0.89%
Gay (female / lesbian)	46	0.20%
Gay (male)	45	0.29%
Heterosexual	9161	39.17%
Other	231	099%
Prefer not to say	1483	6.34%
Not known	12213	52.22%
Total	**23386**	**100%**

Disability

Disability	Number of tenants	% of tenants
Yes	2003	8.56%
No	18,379	78.59%
Not known	3004	12.85%
Total	**23386**	**100%**

Appendix J

Scheme of Virement

1. This appendix explains the scheme of virement which will apply to the budget, if it is approved by the Council.

<u>Budget Ceilings</u>

2. Directors are authorised to vire sums within budget ceilings without limit, providing such virement does not give rise to a change of Council policy.

3. Directors are authorised to vire money between any two budget ceilings within their departmental budgets, provided such virement does not give rise to a change of Council policy. The maximum amount by which any budget ceiling can be increased or reduced during the course of a year is £500,000. This money can be vired on a one-off or permanent basis.

4. Directors are responsible, in consultation with the appropriate Assistant Mayor if necessary, for determining whether a proposed virement would give rise to a change of Council policy.

5. Movement of money between budget ceilings is not virement to the extent that it reflects changes in management responsibility for the delivery of services.

6. The City Mayor is authorised to increase or reduce any budget ceiling. The maximum amount by which any budget ceiling can be increased during the course of a year is £5m. Increases or reductions can be carried out on a one-off or permanent basis.

7. The Director of Finance may vire money between budget ceilings where such movements represent changes in accounting policy, or other changes which do not affect the amounts available for service provision.

8. Nothing above requires the City Mayor or any director to spend up to the budget ceiling for any service.

<u>Corporate Budgets</u>

9. The following authorities are granted in respect of corporate budgets:

   (a) the Director of Finance may incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;

   (b) the Director of Finance may allocate the provisions for pay awards, additional waste and energy cost pressures;

   (c) The City Mayor may determine how the contingency can be applied and the provision for residual ASC reforms.

Earmarked Reserves

10. Earmarked reserves may be created or dissolved by the City Mayor. In creating a reserve, the purpose of the reserve must be clear.

11. Directors may add sums to an earmarked reserve, from

    (a) a budget ceiling, if the purposes of the reserve are within the scope of the service budget
    (b) year-end budget underspends, subject to the approval of the City Mayor.

12. Directors may spend earmarked reserves on the purpose for which they have been created.

13. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.

MINUTE EXTRACT – HOUSING SCRUTINY COMMISSION, 9 JANUARY 2023

9. HOUSING REVENUE ACCOUNT BUDGET (INCLUDING CAPITAL PROGRAMME) 2024/25

The Director of Housing presented the report in which it was noted that:

- The Housing Revenue Account Budget is associated to the income generated through rent and service charges for around nineteen thousand council homes in the city. It is a legal requirement that the income generated be ringfenced to be spent on services for council property tenants and that the account must balance.
- Around £100m is generated through rent and service charges each year but a £10m budget pressure exists relating to pay inflation, running costs, loss of income through the Right to Buy scheme and other pressures as outlined in the report.
- To ensure the HRA budget can balance in 2024/25 it is proposed that core rent be increased to its maximum CPI+1% and the capital programme be suppressed.
- The proposed rent increase equates to 7.7% which on average will be a £6.58 per week higher and an overall average rent of £85.48 which remains the lowest rent in the city and surrounding area. A lower percentage increase in core rent would create a shortfall and consequently prevent programmes of work and investment to be reduced to balance the budget. Other proposed increases to rent include garage rent by 7.7%, hostel and service charges by 5%, and Gipsy and Traveller plot rent by 5%.
- A reduction to charges for tenants and leaseholders is proposed for waylighting by 10% due to a fall in electricity costs. District heating charges are also proposed to be reduced given forecasted lower gas costs – for properties with metres, fixed costs will reduce by 24% and variable costs by 29%. The annual charge to properties supplied by the district heating system without a metre will also see an average reduction of 9.4%.
- The proposed capital programme for 2024/25 is £25.86m, including £15m for investing in new council homes and £10.86 to improve housing stock. Budgets will be increased for capital programmes such as kitchen and bathrooms, boiler replacements, re-wiring properties, re-roofing, soffit and facias as well as disabled adaptations.
- A £0.9m unallocated reserve is forecasted but due to ongoing pressures it is proposed not to utilise it for the 2024/25 budget.
- The tenants and leaseholders forum have been consulted on the proposals who acknowledged them to be fair given the financial pressures and to ensure the capital investment and delivery of services can be maintained.
- Further discussions will be held with members at the Executive and Overview Select committee before Full Council.

The Commission expressed their concerns with the proposed increased rent charges to tenants but acknowledged the difficult financial situation to ensure the budget can balance whilst providing services and investing in housing stock.

In response to questions and comments from Members, it was noted that:

- Around 60% of council tenants receive housing benefits that will increase in line with the proposed rent charges. The income management team proactively work with tenants to maximise income and identify sustainable and affordable repayment plans if they find themselves in financial difficulty. Receipt of rental income remains on track to be almost 100% with few evictions that are usually associated to abandonment and refusal to engage with the income management team.
- The increase to rent is proposed to come into effect in the new financial year, 1 April 2024.
- Part of the capital programme is utilised to acquire and build new council homes. The service will also continue to bid for eligible government grant schemes to maximise funding to increase housing stock to alleviate pressure on the housing register and generate rental income for the HRA.

The Deputy City Mayor for Housing and Neighbourhoods noted that other housing services are also delivered through the general fund and agreed to liaise with the Chair to ensure the Commission are able to scrutinise the HRA and wider budget moving forward.

The Chair invited the representative from the tenants and leaseholders forum for comments in which it was noted that the forum had been consulted on the proposals and overall in support. The Commission and Deputy City Mayor for Housing and Neighbourhoods expressed thanks to the Forum for their vital contribution and engagement.

AGREED:

- The Commission noted the report.
- The Chair to liaise with the Deputy City Mayor for Housing and Neighbourhoods and Director of Housing to determine how the Commission can scrutinise all budgets for housing services moving forward.

Council

Treasury Management Strategy 2024/25

Decision to be taken by: Council

Overview Select Committee: 8th February 2024
Council: 21st February 2024

Lead director: Amy Oliver,
Director of Finance

Useful information:

- Ward(s) affected
- Report authors: Kirsty Cowell, Nick Booth
- Author contact details: Kirsty.cowell@leicester.gov.uk, nick.booth@leicester.gov.uk
- Report version number

1. Purpose of Report

1.1 This report proposes a strategy for managing the Council's borrowing and cash balances during 2024/25 and for the remainder of 2023/24. (This is the Treasury Management Strategy).

2. Summary

2.1 Treasury management is the process by which our borrowing is managed, and our cash balances are invested. Whilst there are links to the budget process, the sums in this report do not form part of the budget. To the extent that the Council has money it can spend, this is reflected in the budget report. Cash balances reported here cannot be spent, except to the extent already shown in the budget report or the accounts.

2.2 The Council has incurred debt to pay for past capital expenditure.

2.3 The Council also has cash balances. These are needed for day-to-day expenditure (e.g. to pay wages when they are due) although some form our reserves. Historically we have used our cash balances to reduce to need to undertake new borrowing. However, as our earmarked capital resources for the capital programme are spent and reserves are used up, our cashflow analysis suggests the need for new borrowing is likely.

2.4 Interest rates had been very low since the financial crisis of 2007/08, though during the last 2 years they have risen with an increase in bank base rate from 0.1% in December 2021 to 5.25% at the time of writing. As our loans are at fixed rates, rises in interest rates only affect the interest earned on our cash balances or future loans. As a result, the Council's treasury management budget position for 2023/24 has improved. The expectation is that the Bank of England Monetary Policy Committee will not raise rates much further if at all in this cycle and rates may start to fall back slowly in 2024. It seems very unlikely that rates would fall back to 0.5% and below.

3. Recommendations

3.1 Members of the Overview Select Committee are recommended to note the report and make comments to the Director of Finance that they wish, prior to Council consideration.

3.2 The Council is recommended to approve the Treasury Management Strategy, which includes the annual Treasury Investment Strategy at Appendix B. The strategy will become effective as soon as it is approved.

4. Borrowing

4.1 The Council currently has £154m of long-term debt. Comprising of £134m borrowed from the Public Works Loans Board (PWLB) (a Government quango), and £20m from the financial markets.

4.2 This position has changed from March 2023 where the long-term debt was £180m. This is due to the Council repaying a £25m loan (plus a premium cost of £2.2m) in April 2023, from Barclays at 4.4% previously due for repayment in 2077.

4.3 In years prior to 2011, the Government usually supported our capital programme by means of "supported borrowing approvals." The Government allowed us to borrow money and paid us to service the debt through our annual revenue support grant. This is similar to someone supporting a family member to buy a house, by paying the mortgage instalments.

4.4 The Government no longer does this, choosing instead to support our capital programme by means of capital grants (i.e., lump sums). Consequently, our debt levels have been largely static (until the Barclays repayment) for 15 years. All of our current debt is long term, with repayments due 24 to 32 years from now.

4.5 Early repayment of debt used to be a tool at our disposal, but Government rule changes and very low interest rates made this prohibitively expensive for PWLB debt. However, as long-term interest rates have risen this has become an option to consider.

4.6 The Council has 2 LOBO (Lender Option Borrower Option) loans with Dexia totalling £20m at 4.6% p.a. These loans allow the lender at periodic 3 year dates the option to propose a higher interest rate for the rest of the term. With interest rates being so low for the last 15 years this option has previously only been theoretical. However, with the rise in interest rates it is currently considered about an even chance that Dexia will ask for a higher interest rate at its next option date of January 2025. If that option is exercised, it is currently the Council's intention to repay the LOBO loan.

4.7 Best practice requires the Council to set certain limits on borrowing and investments, and these are provided at Appendix A.

4.8 Given our high cash balances in the past the Council has not needed to borrow long term for many years. However, as earmarked capital resources for the capital programme are spent and reserves are used up, our cashflow analysis suggests this is likely to change over the next couple of years.

4.9 For many years the PWLB has been the dominant lender to local authorities, which seems likely to continue. The Authority has raised the majority of its borrowing in the past from the PWLB but will consider long term loans from other sources such as banks, pension funds and other local authorities if that reduces costs. The Council will also consider borrowing from the UK Infrastructure Bank which can offer loans at 0.4% p.a. cheaper than the usual PWLB rate for certain approved schemes. PWLB loans are no longer available to local authorities planning to buy investment properties primarily for yield, although the Council intends to avoid that activity. The Strategy also grants sufficient delegated power to the Director of Finance to access new lenders if required.

4.10 The PWLB allows borrowing for HRA capital expenditure at 0.4% cheaper than usual rates. The government has announced that this concessionary rate will be extended until June 2025, and as much of our capital expenditure undertaken through borrowing is HRA related, we may wish to use this facility if we need to borrow.

4.11 The Council manages funds on behalf of the Combined Fire Authority and the Leicester and Leicestershire Enterprise Partnership (LLEP). It is general policy to pay interest based on the average return that the Council gets from its treasury investments.

4.12 The LLEP is due to be disbanded at the end of March 2024, following the Government's decision that its functions should transfer to the City and County Councils as part of national reforms. At this point some of the funds managed on behalf of the LLEP could need to be transferred to the County Council, but this will depend on the financial position of the LLEP.

5. Investments

5.1 The effort involved in treasury management has previously revolved mainly around management of our cash balances. These fluctuate during the course of a year, and previously generally ranged from £250m to £350m dependent on circumstances (e.g. closeness to employees' pay day). However, these balances have been falling recently and were just over £200m at the beginning of December. With the pressure on local government funding, and the use of reserves, we expect cash balances to decline further. We have recently only been lending out cash balances to other Local Authorities over short timescales of no more than 6 months to ensure that we have enough liquidity with our balances.

5.2 The Council has substantial investments, but this is not "spare cash". There are three reasons for the level of investments:-

(a) Whilst the Government no longer supports capital spending with borrowing allocations, we are still required to raise money in the budget each year to repay debt, technically known as the Minimum Revenue Provision or MRP. Because of the extra costs of repaying PWLB debt, we are generally not usually able to actually repay any debt, and therefore have to invest the cash.

(b) We have working balances arising from our day-to-day business (e.g. council tax received before we have to pay wages, and capital grants received in advance of capital spending).

(c) We have reserves, which are held in cash until we need to spend them. We expect reserves to fall over the next few years (as they are required to balance both the 2023/24 and 2024/25 budgets, as reported elsewhere on your agenda).

5.3 The key to investment management is to ensure our money is safe, whilst securing the highest possible returns consistent with this.

5.4 In terms of **security**, the key issues are:-

(a) The credit worthiness of bodies we lend money to;

(b) The economic environment in which all financial institutions operate;

(c) What would happen if a financial institution did, in fact, run into trouble?

5.5 The world economic situation appears fragile, and growth remains slow. Many commentators see a possibility that the position could deteriorate.

5.6 Inflation had peaked at 11.1% in October 2022 though it had reduced to 4.6% by October 2023. Whilst many commentators anticipate inflation to decline further, in recent years it has proved more difficult to control than expected. There is therefore a dilemma for the Bank of England as to what extent interest need to stay high to control inflation, as against the fear that too high rates will cause a recession. Most commentators expect interest rates to fall in 2024 but only slowly.

5.7 Following the financial crisis of 2008, banks if they got into trouble could be subject to “bail in” whereby large investors could lose some or (even in extremis all) of their capital. The Council has accordingly been very cautious regarding lending unsecured to banks.

5.8 A linked measure has been to split major UK high street banks into “ring-fenced banks used by individuals and small to medium businesses; and “non-ring-ringfenced” banks for larger businesses (including most councils) and for other non-core banking activities, such as those involving financial institutions.

5.9 The upshot is that we cannot regard any financial institution as a safe haven over the medium term – we need to keep watch for any signs of trouble.

5.10 The key to our Treasury Investment Strategy is therefore to diversify our investments (so we don’t “keep all our eggs in one basket”), invest with local authorities, or with public sector bodies that are backed by the Government, or seek additional security for our money.

5.11 In respect of **return**, the Bank of England base rate rose to 5.25% in August, and our advisors expect it to have peaked or at most rise to 5.5%. in the current cycle. However, the prospects for base rates in 2024 and beyond are much more uncertain, with a reasonable chance that they fall back somewhat if inflation falls and or the economy stalls.

5.12 Greater returns can sometimes be achieved by lending for longer periods, but this starts to increase the risks described above.

5.13 The details of our Investment Management Strategy are described in Appendix B, but in summary:-

(a) We will lend on an unsecured basis to the largest UK banks and building societies for periods not exceeding one year, subject to our treasury advisors' advice, though currently our advisors have recommended that we should limit our lending to a maximum of 35 days. Bail-in rules mean lending for long periods on an unsecured basis is too great a risk;

(b) We will lend for longer periods, and to smaller banks or building societies, if our money is secured (i.e. if we can take possession of the bank's assets in the event of failure to repay);

(c) Lending to other local authorities has long been a cornerstone of our Treasury Investment Strategy, and this will continue. No local authority has ever defaulted on a loan. We are able to lend to local authorities for up to 3 years, enabling us to secure greater returns. We will seek advice from our advisors for any loan in excess of 24 months though in practice we are unlikely to lend so long next year;

(d) We will place money with pooled investments, such as money market funds. These are professionally managed funds, which place money in a range of financial assets, some based overseas. This helps achieve diversification. In cases where money is not secured, we will make sure funds can be returned very quickly. Interest rates on money market funds are low because we can get our money back quickly (we need to have funds available at "instant" access); and

(e) We will lend to the Government and other public sector bodies.

5.14 In addition to the above, we will invest up to £30m in commercial property funds. These are pooled investments similar to "unit trusts". This continues the current strategy. Such funds are expected to pay dividends at a rate of approximately 3.0%. Current investments are valued at £7m. However, with such funds there is always a risk that values will decrease, though it is hoped that capital values will rise over the long term. Performance has been disappointing since we invested in these funds in 2018, though the capital losses have been outweighed by the income received to date.

5.15 One of our property funds, Lothbury has suffered a large number of redemption requests which has resulted in withdrawals from the fund being suspended. The position regarding the fund is subject to ongoing negotiations but there are 2 likely outcomes, either the fund is terminated, and the investors get back their money when the properties are sold over 18 months to 2 years, or a merger with the fund run by UBS is agreed. If the merger goes ahead with the UBS fund, we will be able to redeem our funds at the point of the merger or a later date.

5.16 We also allow investment of up to £20m in diversified asset investment funds. These funds invest in a mixture of shares, property and Government investments and are pooled with other investors' funds. These investment funds are professionally managed and typically have produced an income of between 3% and 5%. Risk is higher than cash and we have not made any investments in this category to date and do not expect to make any such investments of this type in the next year. The Council has a smaller proportion of its treasury investments in non-cash deposits than most other authorities.

5.17 There is a market for investment with environmental and socially responsible objectives, and we will evaluate opportunities presented to us. Whilst there are established investments suitable for long term investors such as pension funds, these tend not to be suitable for us. Our investment time horizon is 5 years at most.

5.18 A maximum of £20m would be invested in all such environmental and socially responsible investments that do not meet any investment criteria above.

6. **Commercial Investments**

6.1 As part of the Government's response to concerns about some authorities' property investments, separate commercial investment strategies are now required. Our proposed strategy is elsewhere on your agenda.

6.2 The Treasury Strategy does not deal with matters covered by this separate report, though there is a relationship between the strategies. Members are asked to note that the property funds discussed above (which are covered by the Treasury Strategy) are pooled funds in which risks and rewards of owning a large portfolio of properties is shared between many investors. The commercial strategy covers specific investments.

7. **Credit Rating Requirements for Investments**

7.1 Credit ratings are a key element of our Treasury Investment Strategy, being used to help us determine the financial strength of the borrower.

7.2 The credit rating of UK borrowers will rarely exceed that of the UK Government and consequently a reduction in the credit rating of the UK Government may result in credit rating downgrades for a large number of borrowers. Fitch has in December 2023 maintained the outlook for the UK Government as AA-.

7.3 However, if the UK Government is downgraded further there are two scenarios. One is that the financial operating environment of the UK becomes weaker, and this weakens the strength of UK borrowers. The second is that the rating of the UK Government caps the rating of domestic borrowers, but that the strength of the borrowers are unchanged. Intermediate positions are possible. Our actions will be based on an assessment of the actual situation, and we shall take advice from our treasury advisors. The Director of Finance may present a report to the City Mayor for his approval recommending any revisions to the Treasury Investment Strategy at Appendix B. All interest paying investments on such a revised lending list will have a minimum credit rating of BBB+ or (if unrated) be judged to be of equivalent standing. In this event, a revised Treasury Strategy will be presented to the Council at the earliest reasonable opportunity.

7.4 2023/24 has continued to see increasing financial pressures on local authorities, with evidence that some may struggle to meet their minimum statutory obligations. The most prominent have included the situations of Slough, Croydon, Birmingham, Nottingham and Thurrock. Whist some authorities have made large investments to achieve income leading to their financial pressures, there is strong indication of underfunding in local government rather than financial mismanagement, with several authorities forecasting to be unable to balance budgets over the next couple of financial issues.

7.5 There is no legal mechanism for a local authority to go bankrupt or otherwise avoid paying money on loans that were lawfully incurred and there is a legal mechanism to recover loan payments. Irrespective of legalities, the practical issue is what would happen if, say, an authority simply did not have the cash to both pay its staff and its loans. In practice, this has never happened.

7.6 Our treasury advisors provide advice on lending to local authorities. They believe that the credit worthiness of most local authorities remains very strong.

8. <u>Premature Repayment of Debt</u>

8.1 One tool of treasury management is the premature repayment of debt to achieve savings. This is something we used to do routinely, but (as discussed above) has until recently been non-viable for PWLB loans. We will take such opportunities if they present themselves at a sensible cost. Any capital premium (i.e. additional cost) usually has to be charged to the revenue account over the life of the old loan, the life of any replacement loan or any shorter period.

8.2 The reasons why our debt has 24 to 32 years to run are historic and reflect past circumstances and Government policies at that time. In current circumstances, we would prefer a more even spread of repayment dates and may use premature repayment to achieve this if possible. Another option is to repay using our cash balances though as reserves are expected to be depleted this option has become less likely.

8.3 We would currently expect to pay a premium on any premature repayment of debt. This is because interest rates are lower now than when the loans were taken out, although rates are now higher and therefore premiums much lower than in recent years as the gap in the rates has decreased.

8.4 In practice, we are unlikely to repay any PWLB loans this year or in 2024/25 and would prioritise having enough cash available to repay the £20m LOBO loans that could be called in January 2025 to avoid having to pay higher interest until 2054 on these loans. We would evaluate any other options that became available.

9. **Management of Interest Rate Exposure**

9.1 Whilst the Treasury Management Strategy is based on a view of future movements in interest rates, all interest rate forecasts carry uncertainty. This strategy seeks to manage that risk.

9.2 For the foreseeable future the main risk arises from uncertainty around the interest earned on investments rather than interest paid on existing borrowing. If we need to borrow in the medium term though, there will be an interest rate risk depending on the timing of such borrowing. Unlike recent years, interest earned on investments have risen significantly.

10. **Treasury Management Advisors**

10.1 The Council employs Arlingclose as treasury advisors. Their performance has been good.

11. **Leasing**

11.1 The Council owns some properties on lease, but other than this we do not generally use leasing as a method of financing, preferring instead to use our cash balances.

12. Financial, legal, equalities, climate emergency and other implications

12.1 Financial Implications

The proposals are in accordance with the Council's statutory duties under the Local Government Act 2003 and statutory guidance and comply with the CIPFA Code of Practice on Treasury Management. The strategy requires full Council approval.

12.2 Legal Implications

The proposals are in accordance with the Council's statutory duties under the Local Government Act 2003 and statutory guidance and comply with the CIPFA Code of Practice on Treasury Management. The strategy requires full Council approval.

Kamal Adatia

12.3 Equalities Implications

There are no direct equality implications arising from this report. However, there might be implications associated with how we invest and spend our money and the equality implications should be considered individually at that point.

Kalvaran Sandhu, Equalities Manager

12.4 Climate Emergency Implications

Finance and investment can have significant climate-related impacts, depending on where funds are held and how they are used. As such, the council should consider opportunities to ensure that its' investments are not contributing to negative climate and environmental impacts, as relevant and appropriate. In addition, opportunities for investments that provide positive benefits should also be considered, as noted within the section of this report on investments with environmental and socially responsible objectives.

Aidan Davis, Sustainability Officer, Ext 37 2284Xxx

12.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

n/a.

13. **<u>Background information and other papers</u>**

13.1 The Council's Treasury Management Strategy - "Treasury Strategy 2023/24" (Council 22 February 2023).

CIPFA – "Treasury Management in the Public Services, guidance notes for local authorities including police forces and fire and rescue authorities 2021 edition".

Appendix A

Treasury Limits for 2024/2025

1. The Treasury Strategy includes a number of prudential indicators required by CIPFA's Prudential Code for Capital Finance, the purpose of which are to ensure that treasury management decisions are affordable and prudent. The recommended indicators and limits are shown below. One of these indicators, the "authorised limit" (para 3 below), is a statutory limit under the Local Government Act 2003. We are not allowed to borrow more than this.

2. The first indicator is that over the medium-term net borrowing will only be for capital purposes – i.e. net borrowing should not, except in the short-term, exceed the underlying need to borrow for capital purposes (the "capital financing requirement").

3. The authorised limits recommended for 2024/25 and for the remainder of 2023/24 are:-

	£m
Borrowing	320
Other forms of liability	175
Total	**495**

4. "Other forms of liability" relates to loan instruments in respect of PFI schemes and to pre-unitary status debt managed by the County Council (and charged to the City Council).

5. The Council is also required to set an "operational boundary" on borrowing which requires a subsequent report to scrutiny committee if exceeded. The approved limits recommended for 2024/25 and for the remainder of 2023/24 are:

	£m
Borrowing	250
Other forms of liability	145
Total	**395**

6. The boundary proposed is based on our general day to day situation and is not absolute as there may be good, usually temporary, reasons to breach it. Its purpose is to act as a warning signal to ensure appropriate scrutiny.

7. The Council has also to set upper and lower limits for the remaining length of outstanding loans that are fixed rate. This table excludes other forms of liability. Recommended limits are:

Upper Limit

	£m
Under 12 months	50
12 months and within 24 months	80
24 months and within 5 years	140
5 years and within 10 years	140
10 years and within 25 years	200
25 years and over	250

We would not normally borrow new loans for periods in excess of 50 years.

Lower Limit

	£m
All maturities	0

8. The Council has also to set upper limits on the periods for which principal sums are invested. Recommended upper limits are:

	Up to 1 year £m	Over 1 years £m	Over 2 Years £m
Upper limit on maturity of principal invested	All investments	170	100

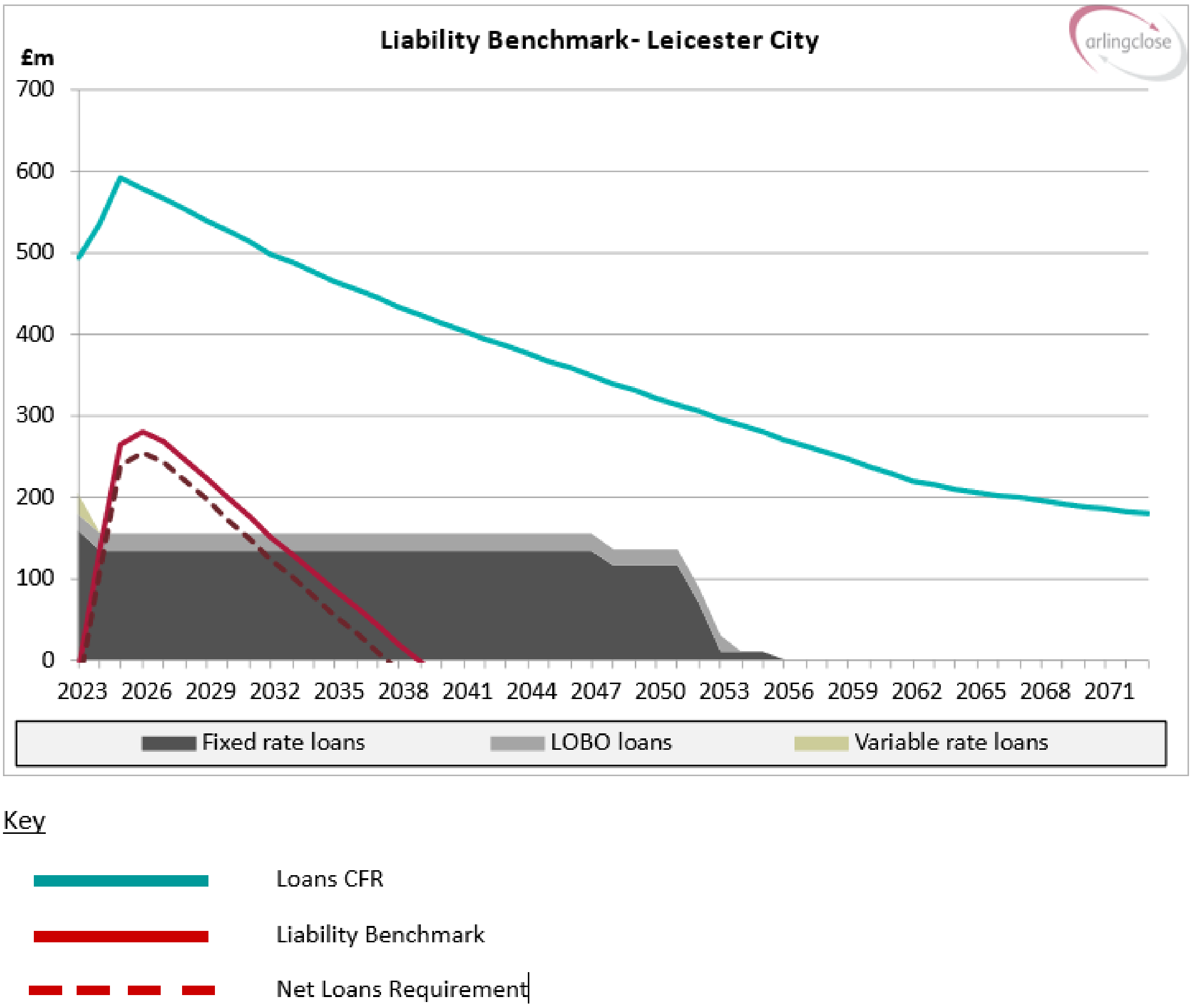
9. The central assumption of this Treasury Strategy is that the value of external borrowing will be as shown below (these figures include £12m debt managed on behalf of the fire authority).

	31/03/2022 Actual £m	2022/23 Estimated Average £m	2023/24 Estimated Average £m	2024/25 Estimated Average £m	2025/26 Estimated Average £m
External debt	192	192	169	190	250

10. Liability Benchmark

The Treasury Management Strategy is required to include the Liability Benchmark. This compares the underlying need to borrow for capital purposes with the external loans profile over the next 50 years, for existing and approved future expenditure.

The underlying need to borrow for capital purposes is called the Capital Financing Requirement (CFR). The CFR falls over time as loans are gradually repaid and rises with new borrowing. The historic Housing Revenue Account debt does not have to be repaid and will therefore remain in the CFR.



After revenue and other balances have been considered, the liability benchmark (the underlying need to borrow for all purposes), is less than the CFR which is the maximum amount that can be borrowed except for very short term cashflow requirements.

In terms of risks, the Council is exposed to rising interest rates increasing the cost of future borrowing, but this is offset by an exposure to falling interest rates, which would reduce the return received on investments. The Council is also exposed to credit risk on its investments, that is the risk that loans or investments are not repaid although the great majority of its treasury balances are in low-risk investments.

Statutory guidance is that debt should remain below the capital finance requirement, except in the short term. The authority has complied and expects to continue to comply with this requirement. The total debt including PFI and finance leases (excluding money we hold on behalf of the Fire Authority) is £245m whereas our capital finance requirement was £591m.

11. Potential Effect of interest rate changes

Interest rates are subject to change and although the Bank of England used to rarely change base rates, with rates being very low and remarkably stable, but this has changed since 2022. The approximate effect (which could be either a rise or reduction of income) of a rise or fall in interest rates of 1% more than anticipated would be.

	Effect of 1% change in interest rates	Effect of 1% change in interest rates as percentage of Net Revenue Budget
2024/25	£1.5m	0.4%
2025/26	£1.0m	0.2%
2026/27	£0.5m	0.1%

As our borrowings are mostly fixed, we do not anticipate any changes on our borrowing costs in the event of interest rate changes.

12. MIFID 11 Professional Client Status.

The Council has Professional Client Status under MIFID 11 (a European regulatory framework for investor protection) and expects to maintain that status including keeping a minimum of £10m invested.

13. Use of Derivatives

A derivative is a financial instrument which in the context of the Council would usually be used to mitigate the risk of future interest rate changes.

In line with the CIPFA prudential code, the Council will seek external advice and consider that advice before entering into any derivatives to ensure that the implications are fully understood.

Our use of derivatives is expected to be limited to fixing the interest rate for:

a) borrowing that may be required at a future date, for example to finance a significant development; or
b) lending to another organisation such as a council at a defined future date (usually no more than four months ahead).

The Council will only use financial derivatives where they can clearly be demonstrated to reduce the overall level of financial risks to which we are exposed.

Embedded risks such as those present in pooled funds and forward starting positions will not be subject to this policy.

Appendix B

Treasury Investment Strategy 2024/25

1. **Introduction**

1.1 This Treasury Investment Strategy complies with the DLUHC's Guidance on Local Government Investments and CIPFA's Code of Practice.

1.2 It states which investments the Council may use for the prudent management of its treasury balances. It also identifies other measures to ensure the prudent management of investments.

1.3 Appendix A (above) limits the periods for which principal sums can be invested. This is to be assessed on our intentions with regard to each investment rather than its legal form.

2. **Investment Objectives & Authorised Investments**

2.1 All investments will be in sterling.

2.2 The Council's investment priorities are:

(a) The **security** of capital; and

(b) **Liquidity** of its investments; and

(c) The **yield** (the return on investments)

2.3 The Council will aim to achieve the **optimum return** on its investments commensurate with proper levels of security and liquidity. Liquidity is assessed from the perspective of the overall investment portfolio and will take account of the Council's ability to borrow for cashflow purposes. The security of capital is the most important priority.

2.4 The following part of this appendix specifies how the Council may invest, with whom and the credit worthiness requirements to be applied.

3. **Approved Investments**

3.1 UK Banking Sector: Credit Rated Institutions			
Type	**Description**	**Investment Period**	**Controls**
General	Covers the largest UK banks and building societies. Covers non-UK banks operating in the UK and regulated in the UK.		No more that £100m will be invested in total with these institutions. Other than our bankers (Barclays) no more than £20m will be invested with one institution of which no more than £10m will be unsecured. £25m may be lent to Barclays, of which no more than £15m will be unsecured. New investments may be agreed up to 4 months advance. A list of approved counterparties will be maintained, based on credit ratings. Principally, we use Fitch. New bodies will not be added to the list without the written approval of the Director of Finance. Minimum ratings as below. Other market intelligence will also be considered.
Unsecured deposits	Banks and building societies regulated within the UK Covers non-UK banks operating in the UK and regulated in the UK.	Up to 366 days or such lesser period our advisors recommend	Our advisors have currently recommended a maximum of 35 days for unsecured deposits. This is thus the current maximum period for all unsecured bank deposits.
		Up to 366 days	Long-term rating of A & short-term rating of F1
		Up to 6 months	Long-term rating of A- & short-term rating of F2
		100 days or less	Long-term rating of BBB+ & short-term rating of F2

Type	Description	Investment Period	Controls
Covered Bonds	This is a deposit with a bank or building society, which is secured on assets such as mortgages. These assets are not immediately saleable but the value of the assets exceeds loans secured upon them. If the deposit is not repaid the assets are sold and the proceeds used to repay the loan.	Maximum 5 years	Bond is regulated under UK law and majority of assets given as security are UK based. Minimum long-term bond rating of A+
Secured Deposits	These are deposits with a bank which are then secured on other assets which can be reclaimed if the bank fails.	Maximum 3 years	Any form of security (even if low grade) is better than none as secured deposits are much less likely to be subject to any bank bail in. The Council would look to use high grade security such as government gilts. We may use a third party to facilitate these transactions, but the underlying assets would be owned by the Council and not the third party.
REPOs/ Reverse REPOs	This is a deposit with a bank or other financial institution, which is secured on bonds and other readily saleable investments and which will be sold if the deposit it not repaid.	Maximum 1 year	Judgement that the security is equivalent to, or better than, the credit worthiness of unsecured deposits. REPO/Reverse REPO is accepted as a form of collateralised lending. One acceptable basis is the GMRA 2000 (Global Master REPO Agreement) but other documentation may be accepted. Should the counterparty not meet our senior unsecured rating then a 102% collateralisation would be required. The acceptable collateral is as follows:- • Index linked Gilts (including delivery by value) • Conventional Gilts (including delivery by value) • UK Treasury bills • Corporate bonds (subject to additional due diligence)

3.2 UK Public Sector & Quasi Public Sector

Type	**Description**	**Investment Period**	**Controls**
General	The UK Government. UK local authorities, including Transport for London (TFL), and bonds issued by the UK Municipal Bonds Agency. Bodies that are very closely linked to the UK Government or to local government such as Cross Rail.	Up to 6 years for the UK Govt. and up to 3 years for LA's	No more than £40m to be lent to bodies very closely linked to the UK Government and no more than £20m to be lent to any one body. No limit on amounts lent to the UK Government. New investments may be agreed up to 4 months in advance (these may be classed as derivatives). In practice, we will be guided by our treasury advisors' views on appropriate investment periods.
Deposits	Deposits with Local Authorities and the UK Government.	Up to 6 years for the UK Govt. and up to 3 years for LA's	No more than £300m to be lent to local authorities (as defined in the first column). No more than £20m to be lent to any one local authority. Our judgement is that most local authorities are of high credit worthiness and that the law provides a robust framework to ensure that all treasury loans are repaid. However, should the occasion arise, we would have regard to adverse news or other intelligence regarding the financial standing of an individual local authority, including information which is provided by the Council's Treasury Advisors. Maximum periods for loans to local authorities will not exceed limits recommended by our treasury advisors.
Bonds – Local Authority	Bonds issued by local authorities.	Up to 3 years	
Bonds – UK Municipal Bond Agency	Bonds issued by local authorities collectively through the UK Municipal Bonds Agency.	Up to 6 years	Minimum A+ credit rating. The agency has had very limited success in lending though that may change in the future and until established the number of underlying borrowing local authorities will be low. When investing with the agency we will look at the underlying exposure to individual authorities when these are material and take into account existing exposures to those authorities.

Type	Description	Investment Period	Controls
Bonds – Bodies Closely Linked to UK Government		Up to 6 years	Minimum A+ credit rating. A list of approved counterparties will be maintained. Approval by Director of Finance to the body being added to the lending list on the basis of a written case, including advice from the Council’s treasury advisors.
Bonds and Deposits to UK Housing Associations		Up to 3 years	No more than £20m in total may be lent to UK Housing Associations. All lending to require approval by the Director of Finance in consultation with the City Mayor on the basis of a written case, including advice from the Council’s treasury advisors.

3.3 International Development Banks			
Type	**Description**	**Investment Period**	**Controls**
Bonds	International Development Banks which are backed by the governments of the world’s largest and strongest economies. The funding obligations are established by treaties or other binding legal agreements. Examples are the European Investment Bank and the World Bank.	Up to 6 years	No more than £40m to be lent in total and no more than £10m to be lent to any one bank. A list of approved counterparties will be maintained. Approval by the Director of Finance, in consultation with the City Mayor, to the body being added to the lending list on the basis of a written case, including advice from the Council’s treasury advisors. A minimum credit rating of AA- plus backing of one or more G7 country.

3.4 Environmentally and Socially Responsible Investments			
Type	**Description**	**Investment Period**	**Controls**
	Investments which facilitate environmental and social objectives. Encompasses a range of legal structures including: • Company shares (equity) • Loans and other interest bearing investments • Trust structure including the above and including ownership of land, buildings, plant, equipment and contractual rights (for example, the right to sell electricity) • Pooled investments • Specialist Real Estate Investment Trusts (REITS) such as those investing in supported housing. • Other investment types Where an investment is better described elsewhere in this appendix (for example a regular money market fund that only contained ethical investments) that section of this appendix shall govern that investment.	Up to 10 years	No more than £20m in all such investments. For investments which can be sold to others in a financial market or which can be redeemed by the fund manager - approval by the Director of Finance, in consultation with the City Mayor, to the investment being added to the lending list of approved counterparties based on a written case, including specialist advice. For other investments approval by the Director of Finance in consultation with the City Mayor to the individual investment, on the basis of a written case, including specialist advice. Investments will only be made when it is assessed that there is a reasonable prospect that after 10 years the Council would be able to have its initial investment returned plus the return that it would have gained on a cash investment. We will look for strong evidence of expertise from those who manage the pooled fund or who are otherwise involved in the management of the investment. Such investments need not be rated. Where the legal structure of the investment is not a widely used one appropriate due diligence will be undertaken.

3.5 Other Pooled Investments (General)			
Type	**Description**	**Investment Period**	**Controls**
General	A structure where a wide base of investors share a common pool of investments. The most common legal form involves an intermediate company. The company has legal title to a pool of investments. The underlying investors own the company with a claim to their share of the assets proportional to their investment in the company.		We will only invest in funds where there is evidence of a high level of competence in the management of the investments, and which are regulated. A list of approved counterparties will be maintained. Approval by Director of Finance to the body being added to the lending list on the basis of a written case, including advice from the Council’s treasury advisors. The investment period will reflect advice from our Treasury Advisors on a fund by fund basis. We will be alert to “red flags” and especially investments that appear to promise excessive returns. We look for diversification away from the banks permitted elsewhere in this lending list (though some overlap is unavoidable). No more than £180m to be invested in aggregate in all type of pooled investments (short term, long term, property and diversified investment funds).
3.5.1 Pooled Investments – Shorter Dated Investments			
Type	**Description**	**Investment Period**	**Controls**
General	Investments of up to eighteen months.		There is no upper limit on shorter dated investments, other than the global limit for pooled investments above (£180m).
Money market funds	The underlying pool of investments consists of interest paying investments, for example deposits. The underlying borrowers include banks, other financial institutions and non-financial institutions of good credit worthiness. Banks may be UK or overseas.	Must have access to funds within one week	Fitch rating of AAf (or equivalent). No more than £25m in any one fund except where our advisors recommend a lower figure. No more than £130m to be held in money market funds in total, this excludes money market plus funds.

Type	Description	Investment Period	Controls
Short Dated Government Bond Funds	Similar to money market funds but mainly concentrated in highly credit rated government bonds.	Must have access to funds within one week	Whilst these are very safe the interest returned is very low. We may use these in times of market turmoil. Fitch rating of AAf (or equivalent). No more than £20M in any one fund.
Money market plus funds / cash plus funds / short dated bond funds	Similar to money market funds but the underlying investments have a longer repayment maturity. We would use these to secure higher returns.	Must have access with one month's notice but normally would wish to hold for 12-18 months	Fitch rating of AAf (or equivalent). No more than £20m in any one fund. No more than £50m in total in money market plus/cash plus funds/short dated bond funds. We will "drip feed" money that we invest rather than investing it all at once.
3.5.2 Pooled Investments – Longer Dated Investments			
Type	**Description**	**Investment Period**	**Controls**
General	Longer dated investments expose us to the risk of a decline in value, but also provide an opportunity to achieve higher returns. Consequently, controls involve both the personal authorisation of the Director of Finance and consultation with the City Mayor.		No more than £50m to be invested in all fund types listed in this table section 3.5.2. This limit applies within the global limit for pooled investments (£180m). Investment amounts and timing to be approved by the Director of Finance, in consultation with the City Mayor. This applies to all the longer dated investments in this section.
Longer-dated Bond Funds.	Similar to money market funds but the underlying investments are now mainly bonds, typically, with an upper average maturity of up to 8 years.	Must have access with one month's notice but normally would wish to hold for two to three years	We may consider unrated funds on the recommendation of our Treasury Advisors. No more than £10m to be invested in any one fund.

Type	Description	Investment Period	Controls
Asset Based Securities	The base investments are "securitised investments" which pool consumer debt (mortgages, car loans and credit cards) and loans to small businesses. The base investments are loans to borrowers of good credit worthiness. The investment we would make would be in a pooled investment containing a number of such securitised investments. They are normally issued by banks (UK or overseas).	Must have access with one month's notice but normally would wish to hold for two to three years	We look for particularly strong evidence of expertise both from the organisations that issue the securitised investments and also from the managers of the pooled fund. We look for clear evidence of financial and operational independence between the fund managers and the banks that made the consumer loans in the first place. No more than £10m to be invested in any one fund.
Property Funds	The underlying investments are mainly direct holdings in property, but our investment is in a pool of properties. Whilst the funds normally have a small cash balance from which to fund redemptions the bulk of the funds are held in direct property investments. On occasions redemptions will not be possible until a property has been sold. Funds may have the power to borrow.	Generally have access with three months' notice but normally would wish to hold for at least five years	No more than £30m to be invested in property funds. This limit applies within the global limit for pooled investments (£180m).
Diversified Investment Funds	The underlying investments are a mixture of mainly equities, government gilts, corporate bonds and property which are also diversified geographically. Whilst the funds normally have a small cash balance from which to fund redemptions.	Generally have access with three months' notice but normally would wish to hold for at least five years	No more than £20m to be invested in diversified investment funds. This limit applies within the global limit for pooled investments (£180m).

4. **Business Models**

4.1 The Council has a “buy and hold” strategy for its investments that are bought and sold in financial markets. That is, it seeks to achieve value for money from its investments by collecting the sums contractually due. It does not aim to achieve additional value by selling them on although there may be occasions when investments may be sold for the purposes of managing or mitigating risk.

Investment Strategy 2024/25

Overview Select Committee

Council

Decision to be taken by: Council

Overview Select Committee: 8th February 2024

Decision to be taken on: 21st February 2024

Lead director: Amy Oliver,

Director of Finance

Useful information:

- Report authors: Kirsty Cowell
  Nick Booth
- Author contact details: Kirsty.cowell@leicester.gov.uk
  Nick.booth@leicester.gov.uk

1. Purpose of Report

1.1 This strategy defines the Council's approach to making and holding investments, other than those made for normal treasury management purposes. The latter are described in the annual Treasury Management Strategy.

1.2 The strategy is essentially the same as Council approved last year.

2 Summary

2.1 Government guidance requires the Council to approve an Investment Strategy. This requirement has arisen because of Government concerns about some authorities borrowing substantial sums of money to invest in commercial property or other assets (sometimes a considerable multiple of their net revenue budget). Additionally, the Government's debt management office now forbids lending to authorities which have recently invested or intend to invest in schemes "primarily for yield." This is regardless of the funding source for the investment and the stated reason for the authority seeking the lending. The Council does not invest primarily for yield and all schemes have a service or regeneration focus as the main reason for investment.

2.2 For the purposes of this strategy, an investment means any spending, or any interest-bearing loan to a third party which is (at least in part) intended to achieve a return for the Council. It has included advances made to the Leicester and Leicestershire Enterprise Partnership (LLEP) for their purposes if the Council expected to make a return on the money. The LLEP is to be disbanded at the end of March 2024, following the Government's decision that its functions should transfer to the City and County Councils as part of national reforms.

2.3 The Council has also invested in pooled property funds. These are funds where large numbers of investors own a part share in a large number of properties and are professionally managed. Our policy for investment in pooled funds is described in the Treasury Management Strategy, rather than this strategy.

2.4 The strategy excludes capital investment in social housing for both permanent and temporary accommodation, which is not done to achieve an investment return.

3. Recommendations

3.1 The Overview Select Committee is recommended to note the report and make any comments to the Director of Finance, prior to Council consideration.

3.2 Council is recommended to approve the Investment Strategy at Appendix A.

4. Current Investments

4.1 The Council has approved the following investments which fall within the remit of this strategy.

(a) **The Corporate Estate**. The purpose of holding the portfolio includes income generation, but also with an eye to providing a range of accommodation for businesses across the city and for ensuring a presence in city centre retail. The properties in the fund are not held to provide accommodation or services to/for the Council. Accounting rules do not require us to treat the properties as investment properties for reporting purposes; however, they are held in part for return and thus fall within the ambit of this strategy.

Details are available in the Corporate Estate annual report. Much of the estate has been owned by the Council for decades and the income generated is a contribution to the General Fund.

It should be noted that guidance from DLUHC (Department of Levelling Up, Housing & Communities) and CIPFA (Chartered Institute of Public Finance and Accountancy) warns against investment activity which is disproportionately large in relation to an authority's finances. However, with net land and property investment income from the Corporate Estate accounting for less than 2% of the Council's net revenue budget in 2023/2024, this continues to represent a manageable risk in relation to the overall revenue budget.

(b) **Loans to local businesses and organisations**. A number of loans have been made. The repayments are on schedule:

i. A loan to Leicestershire Cricket Club of £2.45m, to enable the Club to improve its facilities at an interest rate of 5%. The loan is supported by guarantees from the English Cricket Board. At the time of writing, £2.0m remains outstanding.

ii. A loan of £1.5m to Ethically Sourced Products Ltd (of which just under £1.1m remains outstanding). This loan carries a return equivalent to 4% per annum. It is expected that this loan will be fully paid off with a lump sum in December 2025.

iii. A loan of £450k in 2023 to Leicester Hockey Club (of which £422k has been drawn down to date), to improve sporting facilities at St Margaret's Pastures. The interest rate is 5% p.a.

iv. A loan of £1.5m to Leicester Community Sports Arena Ltd in 2023, to assist funding of expanded facilities at the Morningside Arena. The rate of interest is 5% p.a.

(c) **Regeneration schemes** with an element of Prudential Borrowing:

i. Expenditure of £5.4m was incurred to deliver 26,400 square feet of workspace at Dock 2 Pioneer Park, which was completed in March 2021. The scheme attracted £2.15m of external funding. Prudential borrowing was £1.7m. The medium-term impact on the Council's revenue is positive, with the combined Dock 1 and Dock 2 making a surplus of £213k in 2022/23.

ii. Work has begun on a £13.3m scheme to redevelop Pilot House to provide modern small scale office accommodation. This is partly funded by £8.6m Government grant and is expected to be completed in 2025.

iii. A major regeneration scheme of £24.7m (plus a £1.5m inflation contingency) including £19.4m of Government grant for Pioneer Park is underway. This incorporates schemes at Dock 3, Abbey Court and the Ian Marlow Centre, which will provide new facilities for small and medium businesses. Dock 3 is expected to be complete by April 2024, with Abbey Court and the Ian Marlow Centre following by October 2024. These schemes are expected to provide a significant net revenue surplus to the Council after borrowing costs.

4.2 The **LLEP** has managed the "Growing Places Fund" which has made loans to businesses and other organisations for economic development. The Fund was held by the City Council as the accountable body. This fund was originally financed with a capital grant from the Government and has been replenished as loans were repaid. The total amount presently available is c.£10m. It has not previously come within the remit of this investment strategy, as the Council has had no financial exposure. The LLEP is to be disbanded at the end of March 2024, following the Government's decision that its functions should transfer to the City and County Councils as part of national reforms. The Fund will come under their direct stewardship from April 2024. The City Council will manage the remaining two loans, with future repayments adding to the total funding available.

5. **Investment Strategy**

5.1 The Council's Investment Strategy can be found at Appendix A. The strategy outlines the priorities for investment and that schemes supported have a service or regeneration objective as the main reason for investing.

6. Financial, legal, equalities, climate emergency and other implications

6.1 Financial Implications

This report is regarding financial matters.

6.2 Legal Implications

The proposals are in accordance with the Council's statutory duties under the Local Government Act 2003, and statutory guidance.

Kevin Carter, Head of Law, Ext 37 4197

6.3 Equalities Implications

There are no direct equality implications arising from the report.

Surinder Singh, Equalities Officer, Ext 37 4148

6.4 Climate Emergency implications

Finance and investment can have significant climate-related impacts, depending on where funds are held and how they are used. As such, the council should consider opportunities to ensure that its investments are not contributing to negative climate and environmental impacts, as relevant and appropriate. In addition, opportunities for investments that provide positive benefits should also be considered, as noted within the section of this report on investments with environmental and socially responsible objectives.

Aidan Davis, Sustainability Officer, Ext 37 2284

6.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

n/a.

7. Background information and other papers

7.1 HM Treasury – Public Works Loan Board future lending guidance, November 2023.

7.2 CIPFA – "Treasury Management in the Public Services, guidance notes for local authorities including police forces and fire and rescue authorities 2021 edition".

8. Summary of appendices:

Appendix A – Investment Strategy 2024/25

9. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

10. Is this a “key decision”? If so, why?

APPENDIX A

INVESTMENT STRATEGY 2024/25

1. The Council will facilitate investment which benefits the people of Leicester and at the same time makes a return. All such investment is required to meet a service need or promote regeneration as the main objective, although making a financial return on investments would be a positive secondary objective.

2. The Government's debt management office forbids lending to authorities which have recently invested or intend to invest in schemes "primarily for yield." The Council does not invest primarily for yield and all schemes supported will have a service or regeneration main reason for investment.

3. The Council is prepared to take greater risks in the furtherance of this Investment Strategy than it would be with the Treasury Management Strategy. This is because investments here are principally for service purposes such as regeneration, not primarily to generate a financial yield.

4. The Council's financial priorities for investment are:-

   (a) Security of capital – notwithstanding the above, this is the paramount consideration.

   (b) Yield (the return on investments) - this is important, but secondary to ensuring our capital is protected.

   (c) Liquidity (ability to get money back when we want it). We have traditionally regarded this as less important because individual investments are small scale compared to the overall size of the Council. However, in future years with the expected depletion of cash balances, liquidity is expected to become more important to manage.

5. Property acquired under this investment strategy will be located:-

   (a) In the case of the Corporate Estate, within the boundary of the Leicester, Leicestershire, and Rutland area. (Usually, within the city).

   (b) If acquired for economic regeneration purposes, within or at the perimeter of the Leicester, Leicestershire, and Rutland area.

   (c) Potentially further afield to better meet wider service objectives, such as low-carbon assets. We have made no such investments in recent years.

6. Individual investments can be funded by any of the following (or combination of the following):-

   (a) Grants/contributions from third parties where the funding is provided at the third party's risk.

(b) Capital or revenue monies held by the Council.

(c) Prudential borrowing, and contributions from third parties where the Director of Finance deems the substance of the investment to be at the Council's risk (e.g. "income strips"). In practice, "prudential borrowing" has not in the past required genuine external borrowing as we have had sufficient cash balances (as described in the Treasury Management Strategy). Prudential borrowing is best seen as a permission to borrow externally, should we need to, with revenue costs in future years. This category includes prudential borrowing in anticipation of future business rates growth in Enterprise Zones. It should be noted that recent significant increases in interest rates have made it much more difficult for new schemes to make a surplus unless significant Government grant is included within the financing.

7. Items (b) and (c) together represent the Council's <u>capital invested.</u> Item (c) represents the risk of the Council requiring further capital or revenue resources if an investment fails; it may or may not represent any actual external debt. The amount of prudential borrowing outstanding may fall over the life of an investment. The totality of prudential borrowing, or other funding provided at the Council's risk, outstanding at any one time is a key control over the Council's investment activity and is termed "<u>exposure</u>."

8. The Council will not, at any one time, have exposure in excess of the following:-

	£m
On commercial or industrial property, it already owns or will own.	100
For loans to third parties	20
To fund Enterprise Zone projects	40
For other investments	40

9. The Council will not have more than £130m of exposure in respect of <u>all</u> activity covered by this strategy. Therefore, it is not possible to reach the maxima in all the above categories.

10. Limits on total external debt are included in the Treasury Management Strategy.

11. The Council can reduce its exposure, particularly if an investment is performing poorly, by writing down prudential borrowing using capital or revenue resources.

12. Where the Council has an option of utilising third party contributions at the Council's risk, the Director of Finance will determine if this represents value for money as an alternative to prudential borrowing.

<u>What we invest in and how we assess schemes</u>

13. Decisions to invest will be taken in accordance with the usual requirements of the Constitution. Executive decisions will be subject to normal requirements

regarding notice and call-in. All decisions to use prudential borrowing require the approval of the City Mayor, unless previously approved by full Council. The criteria below set normal expectations for investment decisions, but it is impossible to provide a framework for all potential opportunities: we do not know what might be available in the future. The City Mayor may approve investments which do not meet the criteria within paragraphs 14 to 28 (the limits contained in paragraphs 8 and 9 will not be exceeded), but if he does so:-

(a) The reason will be reflected in the decision notice;
(b) The decision will be included in the next refresh of this strategy.

14. All proposals will be subject to a financial evaluation, and approval by the Director of Finance must be obtained. This will calculate expected return (see below), assess risk to the Council's capital invested, and ability to repay any prudential borrowing. The evaluation must therefore give evidence of a financially robust proposal, regardless of the other merits. The results of the evaluation will be set out in the decision report. For small purchases of property within the Corporate Estate, a more streamlined evaluation can be prepared. Where the use of third-party contributions at the Council's risk is recommended, as an alternative to prudential borrowing, the assessment of this method of financing will be included in the evaluation. All proposals for investment will explicitly describe what the main purpose the investment is being made, which cannot be primarily for yield.

15. Any investment for economic development purposes will accord with the Council's adopted strategies, except for early-stage expenditure in contemplation of a new strategy.

16. The maximum prudential borrowing permitted for any given capital scheme by way of an Executive Decision will be £10m. Any proposals to borrow more than £10m on a particular scheme would be subject to specific approval by full Council.

17. Advances to third parties will normally require additional security where the total capital invested by the Council exceeds £2m, e.g. the underwriting of risk by a third party, or a charge on property with a readily ascertainable value and a number of potential purchasers.

18. The Council will look for a return on its capital invested, although this can be lower than a bank would seek (reflecting our cost of funds, and the expected service benefits).

(a) The usual yardstick for investment is that, on a prudent estimate of costs and income, investments must make a positive return when discounted at 5% per annum. A higher return may be sought where a project is riskier than normal;

(b) Where reasonably certain, growth in retained business rates can be included in the calculation of Net Present Value (NPV) until the date of the next national reset (although rates growth will continue to be accounted for as rates income, and not earmarked);

(c) Resultant savings in departmental budgets cannot be included in the calculation.

19. The City Mayor may take a conscious decision to accept lower returns for service or environmental reasons; an alternative way of looking at this is to say that the Council will sometimes choose to accept modest returns instead of providing something at its own expense for service and/or environmental reasons. Such a decision will be transparent and recorded in the decision notice.

20. The following are deemed to be suitable investments, although not primarily for yield:-

(a) Acquisition of commercial or industrial property for regeneration.
(b) Construction or development of commercial or industrial property for regeneration.
(c) Construction or development of non-HRA housing (noting that any housing acquired for permanent or temporary social housing is outside the scope of the Investment Strategy).
(d) Acquisition of land for development.
(e) Infrastructure provision at key development sites.
(f) Loans to businesses to support economic development.
(g) Acquisition or construction of low carbon energy investments.

21. All investments and loans must be compliant with Government's subsidy control rules. Investments must not be made primarily for an income return (though a decent income return is to be encouraged) but must have an alternative primary purpose such as promoting economic development. The Council will also not try to rely on investment income which is disproportionate to the overall budget.

22. Acquisition of commercial or industrial property can be considered where there are either economic development or service reasons why the city would benefit from the Council's ownership. An example of economic development reasons might be to facilitate a significant business relocation to the city or surrounding area.

23. Construction or development of commercial or industrial property can be considered for regeneration purposes within Leicester, Leicestershire and Rutland area where the asset constructed or developed would generate a continuing income stream and have a readily realisable capital value. Whilst a pre-let is regarded as highly desirable, a benefit of Council involvement is that strategically important development can be secured which would not attract normal commercial finance. New grade A office space is a key example. It is, however, essential that the Council can be confident of a return on its capital invested, and an NPV shall be calculated using prudent assumptions of any void periods. It should be noted though that any such scheme needs to have a

main objective of regeneration (or service provision) and although financial gain is desirable it should not be the main driver of such investment.

24. Acquisition of land for development can be considered for strategic regenerative land assembly schemes, subject to the proviso that future development is planned and fundable:-

    (a) The Council's return will usually arise from an appreciation in land values and this must be reasonably assured with a ready market;

    (b) This type of investment is riskier than the acquisition of tenanted property, and a higher return would normally be sought.

25. The availability of other public funding to secure development will improve the acceptability of such proposals, as this will increase the return on the Council's capital invested.

26. Infrastructure provision at key development sites can be considered where development can be catalysed by provision of site infrastructure:-

    (a) Investment can be considered where future disposals can be assumed with a reasonable degree of confidence; and

    (b) Developments that unlock strategic housing or commercial development on economic growth sites or contribute towards bringing forward linked developments.

27. Loans to businesses can be made at attractive rates (when compared to bank finance) for proposals which facilitate economic development, and where the Council can be confident that the money will be repaid. The following criteria will be applied:-

    (a) Loans would normally be repayable within 10 years (or the Council has an asset which is readily realisable within that period, whether we choose to realise it or not);

    (b) A minimum loan value of £100,000 will apply;

    (c) Proposals must demonstrate that they are viable, i.e. there is a reasonable expectation that the capital and interest will be repaid;

    (d) Security will usually be obtained (and always for higher value loans).

28. Low Carbon Energy Investments which help to reduce climate change can be considered. Any such investment will still be expected to make a positive return, though in making the investment the Council will consider the environmental and social benefits as well as the financial return.

Monitoring of Investments

29. The performance of investments will be reported annually. Investments within the Corporate Estate will be monitored as part of the Corporate Estate Annual Report.

Capacity, Skills and Culture

30. The Council employs professional accountants who are skilled in carrying out investment appraisals, as well as regeneration, economic development and property specialists. Nonetheless, the more complex schemes will require external support to enable thorough due diligence to be undertaken and business cases to be developed and assessed. External specialists will work with Council clients to ensure they understand the public service dimension of the Council's business.

31. The Council will use whatever presentation techniques are appropriate when decisions on individual investments are sought; these will in particular focus on the risk assessment.

Treasury Policy 2024/25

Overview Select Committee

Council

Decision to be taken by: Council

Date of meeting: 8 February 2024

Decision to be taken on: 21 February 2024

Lead director/officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All.
- Report author: Nick Booth
- Author contact details: nick.booth@leicester.gov.uk
- Report version number: 1

1 Summary

1.1 This report gives a framework for the governance of the Council's borrowing and investments, and it updates the framework previously approved by Council.

1.2 Treasury management is the process that ensures the Council always has enough cash to make the payments that are necessary for its operations, and this involves both borrowing and investment.

1.3 The Treasury Policy is a framework document stating how the activity is governed. It is supported by an annual strategy (the strategy for 2024 is elsewhere on your agenda).

2. Recommendations

2.1 The Overview Select Committee is recommended to note the report and make comments to the Director of Finance and the Executive as they wish.

2.2 The Council is recommended to approve the Treasury Policy at Appendix 1.

3. Scrutiny / stakeholder engagement

3.1 The Treasury Policy will go to Overview Select Committee prior to being presented to Council for approval.

4. Overview of Treasury Management

4.1 There are two main elements of treasury management.

4.2 The first element is **borrowing money** to finance capital expenditure. Most capital spending is now funded by capital grant, but we still have historic borrowing dating back many years (when the Government chose to use borrowing approvals to support capital).

4.3 The revenue budget approved by the Council each year includes provision for the interest payable on this borrowing. It also includes a provision for repaying the borrowing over a number of years (broadly speaking, over the economic life of the assets acquired).

4.4 The Housing Revenue Account operates under separate rules (though within the same legal regime) whereby interest has to be accounted for but the principal does not have to be repaid through the application of Minimum Revenue Provision (MRP) from the revenue account. Our general approach is that for the HRA we will not repay principal for historic debt, but we will do so for new borrowing. New borrowing for the HRA will also be allowed for when a new income stream is created such as acquisitions of rental properties or new build but will not be used for general maintenance.

4.5 The second element is **cash management** which involves managing the Council's investments to ensure the optimum amount of money is held in our bank account on a day-to-day basis – so that there is enough money to cover payments made on the day, but no more. Excess cash on the day will generally be placed in money market funds to enable a higher interest rate to be obtained.

4.6 The Council has substantial investments, but this is not "spare cash". Whilst there are links to the budget process, these sums do not form part of the budget. To the extent that the Council has money it can spend, this is reflected in the budget report.

4.7 There is a provision for interest earned on investments in the Council's revenue budget.

4.8 Treasury activities are governed by the Treasury Policy which this report updates. The policy specifies how borrowing and investments should be organised, the responsibilities of officers, and the limits placed on officers' discretion to act without further approval. It should be noted that as decisions on borrowing individual sums have to be taken very quickly, this is delegated to officers within a framework specified by this policy. Treasury operations are subject to retrospective member scrutiny. The proposed policy is shown at the appendix to this report.

4.9 An annual Treasury Management Strategy specifies how borrowing and investment will be carried out.

4.10 A twice-yearly report is submitted to Overview Select Committee reviewing the treasury activity undertaken in the year.

4.11 The Treasury Policy comprises a Treasury Management Policy Statement (TMPS) and 12 "Treasury Management Practices" ("TMPs").

4.12 The TMPS defines the overall objectives of the treasury management function and emphasises the pursuit of optimum performance and the effective control of risk. The 12 TMPs expand upon this and, together with supporting schedules (prepared by the Director of Finance), establish a comprehensive framework for the management and control of borrowing, investment and other treasury functions.

4.13 This report is solely concerned with treasury transactions. In addition to these the Council may also build or acquire buildings or other real estate from which it earns income, and it may make loans to local organisations or businesses for economic and social reasons. These other activities are governed by the Capital Strategy and Investment Strategy, both of which are elsewhere on your agenda.

4.14 It should be noted that borrowing by local authorities is severely restricted by central government if they spend or plan to spend resources on assets that are "primarily for yield". The Council does not invest "primarily for yield" though this rule does not restrict capital expenditure on services or regeneration.

5. Financial, legal, equalities, climate emergency and other implications

5.1 <u>Financial Implications</u>

This report is solely concerned with financial issues.

5.2 Legal Implications

The Council is required as a matter of law to pay due regard to CIPFA's Code of Practice on Treasury Management and statutory guidance issued by DLUHC. Other than this, no specific legal issues are raised by this report.

Kevin Carter Ext 37 4197

5.3 Equalities Implications

There are no direct equalities implications arising from the report.

Equalities Officer, Surinder Singh, Ext 37 4148

5.4 Climate Emergency implications

Finance and investment can have significant climate-related impacts, depending on where funds are held and how they are used. As such, the Council should consider opportunities to ensure that its' investments are not contributing to negative climate and environmental impacts, as relevant and appropriate. Opportunities for investments that provide positive benefits should also be considered, including within the Council's corporate estate portfolio, with businesses responsible for around a third of the city's carbon footprint. Consideration should therefore be given to opportunities to improve the energy efficiency and reduce the carbon emissions of these properties, which could potentially also reduce energy costs and improve their overall condition and value.

Aidan Davis, Sustainability Officer, Ext 37 2284

6.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

n/a.

6. Background information and other papers:

6.1 The Council's Treasury Management Strategy - "Treasury Strategy 2023/24" (Council 22nd February 2023).

The Council's Treasury Policy - "Treasury Policy" (Council 20th February 2020).

7. Summary of appendices:

Appendix 1 – Treasury Policy

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a "key decision"? If so, why?

Appendix 1

TREASURY POLICY

1. **Treasury Management Policy Statement (TMPS)**

1.1 The overall aim of the Council's treasury activity is to minimise the Council's net financing costs, whilst maintaining an appropriate level of liquidity and taking a prudent approach to risk.

1.2 The Council defines the policies and objectives of its treasury management activities as follows:-

"The management of the authority's cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

1.3 The Council regards the successful management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured.

1.4 This Council is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques.

1.5 The Council will create and maintain, a Treasury Policy (i.e. this document). This will be supported by suitable Treasury Management Practices (TMPs, shown below), setting out the manner in which the Council will seek to achieve these policies and objectives, and prescribing how the Council will manage and control those activities.

1.6 The Council will receive reports on an annual strategy in advance of each year, and the Overview Select Committee (OSC) will receive twice yearly reports on performance.

1.7 The Council delegates responsibility for the execution and administration of treasury management decisions to the Director of Finance (DoF) who will act in accordance with this policy statement and TMPs; and CIPFA's Standard of Professional Practice on Treasury Management. Monitoring of the function will be undertaken by the OSC.

1.8 In practice the following matters are delegated to the DoF:

- Decisions on borrowing, investments, leasing and other forms of finance;
- Renegotiation and premature repayment of loans;
- Entering into associated contracts;
- Selection of treasury advisors;
- Selection of the money market brokers;
- Selection of leasing brokers used, if any;
- Selection of counterparties required for treasury purposes;
- The allocation of responsibilities and organisation of staffing;
- Determining the procedures to be followed by staff involved in treasury management, including internal controls and safeguards;
- Determining the accounting treatment of treasury decisions;
- Determining a list of institutions from whom the Council may borrow money;

- Negotiating the terms of loan agreements and other capital finance arrangement (as specified in TMP 4);
- The preparation of schedules to TMPs, to serve as working documents for day-to-day use;
- Determining the list of institutions (the "lending list") to whom the Council will lend or invest, and for what period, applying the criteria established by the Council's Treasury Management Strategy.

2. **Treasury Management Practices**

2.1 As part of the Treasury Policy, the Council is asked to approve 12 Treasury Management Practices.

TMP1	-	Risk Management
TMP2	-	Best Value and performance measurement
TMP3	-	Decision making and analysis
TMP4	-	Approved instruments, methods and techniques
TMP5	-	Organisation, clarity and segregation of responsibilities and reporting arrangements
TMP6	-	Reporting arrangements and management information arrangements
TMP7	-	Budgeting accounting and audit arrangements
TMP8	-	Cashflow management
TMP9	-	Money laundering
TMP10	-	Staff training and qualifications
TMP11	-	Use of external service providers
TMP12	-	Corporate Governance

3. **TMP1 – Risk Management**

3.1 The DoF will have paramount regard to the risk associated with treasury management decisions and will ensure systems exist to control this risk.

3.2 The DoF will make sure we have enough money available immediately to meet day-to-day obligations.

3.3 Borrowing and investment strategy will be undertaken with regard to the implications for the Council's budget, whilst not missing opportunities to save money over the longer term.

3.4 The DoF will keep a list of the people the Council will invest with (mainly by lending money), and limits for each. These "counterparty lists" will reflect a prudent attitude towards organisations with whom funds may be deposited. The counterparty policy will be established within the annual treasury strategy.

3.5 The DoF will ensure the Council complies with legal requirements. We will demonstrate such compliance, if required to do so, to all parties with whom the Council deals. In framing the counterparty policy, the DoF will ensure that there is evidence of counterparties' powers, authority and compliance with regulatory requirements.

3.6 The DoF will use systems to prevent the risk of fraud or loss and will maintain contingency management arrangements.

3.7 The DoF will look to mitigate any losses to the Council if interest rates move the wrong way.

3.8 The DoF will make sure we don't have to borrow too much all at once, and will refinance maturing loans and other financing arrangements as necessary.

3.9 The DoF will manage exposure to exchange rate risk, inflation risk and price risk.

3.10 Members are asked to note that the avoidance of all risk is neither appropriate nor possible and a prudent balance will need to be struck between avoiding risk and maximising returns.

4. TMP2 – Performance Measurement

4.1 The Council will continually monitor treasury management performance.

4.2 We will evaluate borrowing and investment decisions by reference to external data, which may include:-

i) Benchmarks derived from financial market data;

ii) Benchmarks provided by the Council's treasury advisors.

4.3 The DoF will obtain a comprehensive annual review of the Council's treasury position, prepared by independent treasury advisors.

4.4 The main vehicle for such reviews to be reported to elected members are the six-monthly reviews of treasury management activities reported to OSC.

5. TMP3 – Decision-making and analysis

5.1 The DoF will maintain full records of treasury management decisions, and of the processes and practices applied in reaching those decisions.

6. TMP4 – Approved instruments, methods and techniques

6.1 The Council may raise new loans or other capital finance. It may also repay existing borrowing instruments or transfer these to third parties. It may use borrowing instruments from the approved list below.

Loans

1. Public Works Loans Board Loans
2. Municipal Bond Agency Loans
3. UK Infrastructure Bank
4. Loans from other local authorities
5. European Investment Bank Loans
6. Commercial Bank Loans
7. Stock Issues
8. Market Loans
9. Local Temporary Loans
10. Local Bonds
11. Negotiable Bonds
12. Commercial Paper
13. Medium Term Notes

14 Bank Overdraft

Other Capital Finance

1. Operational Leases
2. Finance Leases
3. Sale and lease back
4. Construction and lease back / income strips

6.3 Borrowing instruments are permitted to be contracted for in advance - for example to lock into cheap interest rates. Where they are complex our decisions will be informed by independent, expert advice.

6.4 The DoF may determine that other instruments can be used when, in substance, they are similar to those already authorised.

6.5 Permitted **investment instruments** will be specified in the annual Treasury Investment Strategy.

6.6 The Council is classified as a "professional investor" for the purposes of the regulatory framework of "MIFID II". This means that it has access to a wider range of investments than "retail investors".

7. TMP5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements

7.1 The DoF will make sure the duties of staff are properly organised and written down.

7.2 The principle on which this will be based is a clear distinction between those charged with setting treasury and management policies, and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds.

7.3 If the DoF intends to depart from these principles (for example due to staff sickness) additional monitoring and reporting arrangements will be put in place.

7.4 The DoF will ensure that there are clear written and communicated statements of the responsibilities of each role, and the arrangements for absence cover. Delegation arrangements will also be documented.

7.5 The DoF will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

8. TMP6 – Reporting requirements and management information arrangements

8.1 Regular reports will be taken to members. As a minimum, the following reports will be prepared:-

i) An annual report to the City Mayor and Council on the strategy to be pursued in the coming year;

ii) A twice annual report to OSC on the performance of the treasury management function, on the effects of the decisions taken in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy or strategy.

9. **TMP7 – Budgeting, accounting and audit arrangements**

9.1 The costs of treasury management will be reflected in the Council's normal budgeting arrangements.

10. **TMP8 – Cash Management**

10.1 The DoF will manage the Council's cash holdings in their entirety. Cash flow projections will be prepared regularly and the DoF will ensure that these are adequate to ensure that the Council always has sufficient funds to meet its obligations.

11. **TMP9 – Money Laundering**

11.1 The Council may become the subject of an attempt to involve it in the laundering of money. The DoF will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff are properly trained.

11.2 A policy to prevent the Council's unwitting involvement in money laundering has been established.

12. **TMP 10 – Staff training and qualifications**

12.1 The DoF will use properly trained staff.

12.2 The core professional requirement for senior staff leading the treasury function is a professional accountancy qualification. Officers dealing with treasury and cash management will receive ongoing training and development on specific matters which will be provided by an appropriate blend of direct study of briefing notes etc; and organised courses, conferences and seminars.

12.3 Elected members will be offered training and development.

13. **TMP11 – Use of external service providers**

13.1 The Council will use external experts, where this is sensible. When external experts are used, the DoF remains responsible for the treasury management function.

14. **TMP12 – Corporate Governance**

14.1 Treasury management activity will comply with our usual corporate governance principles. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

14.2 The Council places high value on the use of independent treasury advisors. It looks to such advisors to present an independent view of the Council's treasury investments and borrowings.

Overview Select Committee

Work Programme 2023 – 2024

Meeting Date	Item	Recommendations / Actions	Progress
13 July 2023	1. Revenue Outturn 2022/23 2. Capital Outturn 2022/23 3. Income Collection April 2022 – March 2023 4. Review of Treasury Management Activities 2022/23 5. Overview of OSC	1. A number of requests for further information/clarification were sought. 2. A number of requests for further information/clarification were sought. 3. That further information be circulated regarding parking enforcement staffing figures. 5 To conduct some additional informal scrutiny in relation to corporate equalities/workforce representation	1. A note that summarised responses was sent to members on 5 September. 2. A note that summarised responses was sent to members on 5 September. 3. This has been provided and was included in the information sent to members on 5 September. 5 Initial informal work has commenced and an update was provided to OSC on 20 September.

Meeting Date	Item	Recommendations / Actions	Progress
20 September 2023	1. Revenue Monitoring Period 2. Capital Monitoring Period 3 3. Scrutiny Annual Report 2022/23 4. Informal Scrutiny update - Equalities/workforce monitoring	1a) That as outlined above, further responses be provide in relation to the requests by commission members for additional information. 1b) That the scrutiny commissions continue to examine the detail of the finances relating to those policy areas of particular significance, as outlined in the report and discussed during the consideration of this item. 2a) That further information be provided in relation to right-to-buy properties and progress in relation to Ashton Green; and 2b) That consideration be given to convening a site-visit to Ashton Green as suggested by the City Mayor.	1a) A briefing note that summarised progress to all actions has been circulated separately to members. 1b) This is being picked up as part of the work programming for relevant scrutiny commissions. 2a) This has been covered as part of the briefing note referred to above in 1a. 2b) This site visit has now been convened.

Meeting Date	Item	Recommendations / Actions	Progress
9 November 2023	1. Update on work in response to Cost-of-Living Crisis 2. Customer Services Overview (or 14 December) 3. Budget Savings - update 4. Verbal update on informal work	1a) That a response to the proposal from young people be provided, 1b) That further information be provided to members as outlined above; and 1c)That scrutiny commissions be asked to look at focussed issues arising from the cost-of-living crisis as appropriate. 2a) That responses be provided to members following several information requests outlined above; and 2b) That consideration be given to inviting members to a tour of the Granby Street Customer Services centre. 3) That further detail on the process of issuing a Section 114 notice be provided to committee members.	1a) The matter has been taken up with relevant schools 1b) To be provided to members in due course. 1c) To be considered by scrutiny commissions at the request of scrutiny chairs. 2a) To be provided to members in due course. 2b) The Chair to consider further. 3) To be provided to members in due course.

14 December 2023	1. Call-in of Executive Decision – Budget Savings 2. Revenue Monitoring Period 6 3. Capital Monitoring Period 6 4. Income Collection Report – Half-Yearly 5. Treasury Report – Half Yearly	1a) That the call-in be withdrawn and that the Committee supports the implementation of the Executive decision. 1b) That further information be provided to members in respect of the total number of deleted posts as a result of all of the savings proposed in the report; and 1c) That further information be provided to members in respect of fee increases within Bereavement Services. 2) That the overall position presented in the report be noted and that further information on a number of matters raised be provided to members, as outlined above. 5a) That further detail with regard to the status of the Lothbury Trust investment be provided to members in due course; and 5b) That a revised version of the loans and investments table included in the report be provided to members.	1a) Complete 1b and c) Information has been provided separately to members. 2) Information has been provided separately to members. 5a and b) This information is to be provided to members.

Meeting Date	Item	Recommendations / Actions	Progress
11 January 2024 **SPECIAL MEETING**	1. Call-in –Demolition of 14-16 Market Place – Creation of New Link and Development Site 2. Call -in – St Martins Phase 2 Improvement Scheme 3. Exceptional Homelessness Pressures on Housing	3a) That a report regarding the enhanced rough sleeper offer be provided to the Housing Scrutiny Commission and that an Equality Impact Assessment be prepared to accompany this report; and 3b) That a comprehensive breakdown in relation to the mix of accommodation units be provided to members of the committee.	
8 February 2024	1. General Revenue Budget 2. Capital Programme 3. Housing Revenue Account 4. Treasury Management 5. Investment Strategy 6. Treasury Policy		

Meeting Date	Item	Recommendations / Actions	Progress
11 April 2024	1. Revenue Monitoring Period 9 2. Capital Monitoring Period 9 3. Corporate Equality Strategy 4. Environmental Impact of Construction Projects		