

Leicester
City Council

Democratic and Civic
Support
City Hall
115 Charles Street
Leicester
LE1 1FZ

9 February 2021

Sir or Madam

I hereby summon you to a SPECIAL meeting of the LEICESTER CITY COUNCIL to be held at the Town Hall, on WEDNESDAY, 17 FEBRUARY 2021 at FIVE O'CLOCK in the afternoon, for the business hereunder mentioned.

Monitoring Officer

AGENDA

LIVE STREAM OF THE MEETING

A live stream of the meeting can be followed on this link:
https://www.youtube.com/channel/UCddTWo00_gs0cp-301XDbXA

1. **LORD MAYOR'S ANNOUNCEMENTS**
2. **DECLARATIONS OF INTEREST**
3. **STATEMENTS BY THE CITY MAYOR/EXECUTIVE**
4. **MATTERS RESERVED TO COUNCIL**

a) **GENERAL FUND REVENUE BUDGET 2021/22** **Appendix 4 (a)**

Council is asked to approve the recommendations set out on page 1.

b) **CAPITAL PROGRAMME 2021/22** **Appendix 4 (b)**

Council is asked to approve the recommendations set out on page 79.

c) **HOUSING REVENUE ACCOUNT BUDGET** **Appendix 4 (c)**
(INCLUDING CAPITAL PROGRAMME) 2021/22

Council is asked to approve the recommendations set out on page 115.

d) **TREASURY MANAGEMENT STRATEGY 2021/22** **Appendix 4 (d)**

Council is asked to approve the Treasury Management Strategy 2021/22 subject to any comments made by the Overview Select Committee at its meeting held on 4 February 2021 and attached at Appendix 4.d.i.

e) **INVESTMENT STRATEGY 2020/21** **Appendix 4 (e)**

Council is asked to approve the Investment Strategy 2021/22 subject to any comments made by the Overview Select Committee at its meeting held on 4 February 2021 and attached at Appendix 4.e.i.

5. **ANY OTHER URGENT BUSINESS**

Information for members of the public

PLEASE NOTE that any member of the press and public may view or listen in to proceedings at this 'virtual' meeting via a weblink which is included in this agenda. It is important, however, that Councillors can discuss and take decisions without disruption. The only participants in this virtual meeting therefore will be Council members, the officers advising the Council and any members of the public who have registered to participate in accordance with the Council's rules relating to petitions and to questions, representations, or statements of case.

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Further information

If you have any queries about any of the above or the business to be discussed, please contact:

Matthew Reeves, Democratic and Civic Support Manager on 0116 4546352.
Alternatively, email matthew.reeves@leicester.gov.uk.

For Press Enquiries - please phone the **Communications Unit on 0116 454 4151**

Item 4. a

4.a General Revenue Budget 2021/22

The Council is asked to:-

- a) Consider the comments of the City Mayor's Recommendations for the General Fund Revenue Budget 2021/22 to be published prior to the Budget Meeting and will be attached to the Council Script;
- b) Consider the views of the Overview Select Committee meeting held on 4 February 2021 at Appendix 4.a.i.

c)

The Council is recommend to:-

- a) Approve the City Mayor's proposed budget for 2021/22; and
- b) Approve the technical recommendations to Council which will be published ahead of the meeting on 17 February 2021 and will be attached to the Council Script;

Attached are copies of extracts from the following Scrutiny Committees and Commissions which considered the budget:

- Adult Social Care Scrutiny Commission – 19 January 2021
- (Appendix 4 a.ii)
- Children, Young People and Schools Scrutiny Commission
- – 13 January 2021 (Appendix 4 a.iii)
- Economic Development, Transport and Tourism Scrutiny Commission – 14 January 2021 (Appendix 4 a.iv)
- Health and Wellbeing Scrutiny Commission – 20 January 2021
- (Appendix 4 a.v)
- Heritage, Culture, Leisure and Sport Scrutiny Commission
- – 25 January 2021 (Appendix 4.a.vi)
- Neighbourhood Services and Community Involvement Scrutiny Commission – 28 January 2021 (Appendix 4 a.vii)

General Fund Budget 2021/22

Decision to be taken by: Council

Decision to be taken on/Date of meeting: 17th February 2021

Lead director/officer: Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Catherine Taylor and Mark Noble
- Author contact details: Catherine.taylor@leicester.gov.uk mark.noble@leicester.gov.uk
- Report version number: 1

1. **Purpose**

- 1.1 The purpose of this report is to ask the Council to consider the City Mayor's proposed budget for 2021/22 and to present medium-term projections up to 2024.
- 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 Council is currently facing an unprecedented and difficult financial situation. Following on from the severe spending cuts the Government has imposed in the last 10 years, the coronavirus pandemic has put huge pressure on service spending and on income streams. There are also unavoidable, and continuing, underlying cost pressures, particularly in demand-led social care services.
- 2.2 Added to this, the budget is made more difficult because we do not know the level of funding available beyond the current financial year, nor the extent to which spending pressures from the Covid-19 pandemic and / or consequent economic downturn will continue. Nor do we know how services may need to be reshaped to meet new expectations in a post-Covid future.
- 2.3 The Council's previous approach to achieving the budget reductions required by the Government has been based on the following approach:-
 - (a) An in-depth review of discrete service areas (the "Spending Review Programme");
 - (b) Building up reserves, in order to "buy time" to avoid crisis cuts and to manage the Spending Review Programme effectively. We have termed this the "managed reserves strategy".
- 2.4 The Spending Review approach has served us well: savings of nearly £50m have been made since 2014, and left the Council with a relatively healthy level of reserves at the start of 2020/21 (compared to other authorities). However, the achievement of Spending Review savings has stalled in 2020/21 due to the Covid pandemic. The pandemic may, additionally, have significant implications for the way we deliver services in future and we are not yet in a position to know what we can afford. The future shape of the Council's services will be strongly influenced by the long term

consequences of the pandemic, and review will be needed to ensure we are fit to meet new challenges. This will range from new ways of providing services, to best use of IT, and the optimum configuration of our existing office portfolio if home working becomes a permanent feature of our future working arrangements. Furthermore, a significant amount of the Council's reserves may be required to meet pandemic costs.

- 2.5 As a consequence, the following approach has been adopted:-
- (a) The budget for 2021/22 has been balanced using reserves, and can be adopted as the Council's budget for that year. This is effectively a "standstill" budget representing the underlying position before any further cuts;
 - (b) We have "drawn a line" under the spending review programme, but have included in this budget assumptions about savings which can be achieved without detriment to service provision;
 - (c) A comprehensive financial review of the Council's position will be undertaken before setting the budget for 2022/23, to ensure ongoing financial sustainability. This work needs to commence as soon as possible, given the way this budget will use up reserves.
- 2.6 **What this means is that, in substance, the budget proposed is a one year budget, pending a fuller (post-pandemic) review.**
- 2.7 It should also be noted that there are some significant risks in the budget. These are described in paragraph 13.
- 2.8 The budget provides for a council tax increase of 5% in 2021/22, which is the maximum available to us without a referendum. 3% of this 5% is for the "social care precept" – the Government has permitted social care authorities to increase tax by more than the 2% available to other authorities, in order to help meet social care pressures (unlike a grant, of course, we have to pay for this ourselves).
- 2.9 In the exercise of its functions, the City Council (or City Mayor) must have due regard to the Council's duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others. There are no proposals for decisions on specific courses of action that could have an impact on different groups of people – such decisions as may be needed will be taken subsequently. Therefore, there are no proposals to carry out an equality impact assessment on the budget itself, apart from the proposed council tax increase (this is further explained in paragraph 12 and the legal implications at paragraph 16). Where required, the City Mayor has considered the equalities implications of decisions when they have been taken and will continue to do so for future decisions.
- 2.10 Best practice now expects me to present a medium term financial strategy for approval, and this is attached (see Appendix Five). It contains projections of the position up to 2024, although in the context of the pandemic longer range projections

must be seen as unreliable. High and low forecasts have not been prepared, because it is not possible to ask members to take decisions based on them – this will follow from the review described above.

3. **Recommendations**

3.1 Subject to any amendments recommended by the City Mayor, the Council will be asked to:-

- (a) approve the budget strategy described in this report, and the formal budget resolution for 2021/22 which will be circulated separately;
- (b) note comments received on the draft budget from scrutiny committees (circulated separately) and other partners (summarised in Appendix Six);
- (c) approve the budget ceilings for each service, as shown at Appendix One to this report;
- (d) approve the scheme of virement described in Appendix Two to this report;
- (e) note my view that reserves will continue to be adequate during 2021/22, and that estimates used to prepare the budget are robust;
- (f) note the equality implications arising from the proposed tax increase, as described in paragraph 12 and Appendix Three;
- (g) note the medium-term financial strategy and forecasts presented at Appendix Five, and the significant financial challenges ahead.

4. **Budget Overview**

- 4.1 The table below summarises the proposed budget for 2021/22. Due to the level of uncertainty in future budgets, only one year is presented here (summary projections for a three-year period are included in the medium term strategy at Appendix Five):

	2021/22 £m
Service budget ceilings	294.0
Corporate Budgets	
Capital Financing	6.5
Miscellaneous Corporate Budgets	2.7
Contingency	2.0
Total forecast spending	305.2

Rates retention scheme:	
Business rates income	64.0
Top-up payment	48.4
Revenue Support Grant	29.0
Other resources:	
Council Tax	126.8
Collection Fund deficit	(3.6)
Govt funding towards Collection Fund	1.6
Social Care grants	13.1
Lower Tier Services Grant	0.7
Local Council Tax Support Grant	3.4
New Homes Bonus	4.7
Total forecast resources	288.1

Underlying gap in resources	17.1
Proposed funding from reserves	(17.1)
Gap in resources	NIL

- 4.2 The proposed budget for 2021/22 has an underlying budget gap of just over £17m, which represents an £11m deterioration from the most optimistic forecast presented in February 2020. This includes adjustments to the budget to better reflect the true underlying position and unavoidable pressures, as explained in section 6 below. £20m has been added to service budgets: to the extent that this is required for adult social care, only part of the cost has been met by new funding (and most of the new funding

provided is permission to increase council tax rather than Government grant). The budget gap also reflects decreased forecasts for locally-raised tax income, due to the economic downturn caused by the pandemic; and the deficit on tax collection in 2020/21 (only one third of this is shown above, as the deficit has to be spread over 3 years).

4.3 The budget gap for 2021/22 is £3m less than estimated in the draft budget published in December. This is largely the result of additional one-off funding being provided from central government, that reduces the gap for one year only.

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

5.1 By law, the role of budget setting is for the Council 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”; the 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 City Council’s proposed Band D tax for 2021/22 is £1,694.92, an increase of just under 5% compared to 2020/21.

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 2020/21). 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 in 2021/22, 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.

5.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2021. The formal resolution will set out the precepts issued for 2021/22, together with the total tax payable in the city.

6. **Departmental Budget Ceilings**

6.1 As stated in the summary at paragraph 2.5, a different approach has been taken to preparing departmental budgets this year. A thorough review is required before we can set meaningful post-Covid budgets. It would be premature to carry out such a review now, and (as described above) a one year budget is proposed to get us through this current period of pandemic and uncertainty. The approach will use our “managed reserves” to enable a smooth transition year.

- 6.2 The approach is therefore to maintain existing budgets wherever practical, but:-
- (a) Build in unavoidable growth, which would normally be compensated by departmental savings;
 - (b) Anticipate savings to be made from a number of residual spending reviews which have minimal impact on front line services. Where necessary, equality assessments will be carried out prior to implementation of these proposals.
- 6.3 Budget ceilings for each service have been 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), and excluding one-off additions identified in the 2020/21 budget.
 - (b) An allowance for non-pay inflation has been added to the budgets for independent sector adult care (2%), foster care (2%) and the waste PFI contract (RPI, in line with contract terms). Apart from these areas, no allowance has been made for non-pay inflation;
 - (c) In addition, budgets in Health & Wellbeing have been adjusted to take account of additional costs of the NHS pay settlement to external providers. This is funded from additional grant from the Department of Health, and therefore has no net effect on the Council's budget;
 - (d) Decisions previously taken by the Executive in respect of spending reviews, where the savings take effect in 2021/22, have been deducted from the ceilings;
 - (e) Changes have been made for growth and savings as described below.
- 6.4 The budget ceilings shown at Appendix One do *not* include any allowance for pay inflation. At the time of writing, the local government pay scales for 2021/22 had not been determined, and therefore a provision is being held centrally to meet the cost. This is based on the Government's expectations for public sector pay set out in November, which include pay awards only for lower-paid staff. The provision will be distributed to departmental budget ceilings when the details of the pay award are known.
- 6.5 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. Paragraphs below describe how the City Mayor currently expects to achieve savings to enable him to spend within budget ceilings. The scheme of virement provides scope for alternative ways to live within budgets if any proposal cannot be delivered (e.g. if equality assessments reveal impacts that require a different approach).

City Development & Neighbourhoods

- 6.6 The department provides a wide range of statutory and non-statutory services which contribute to the wellbeing and civic life of the city.
- 6.7 The department's costs are not subject to the same levels of volatility as social care services, and pressures tend to be easier to predict in advance.
- 6.8 The following pressures have been reflected in the proposed budget:-

	2021/22	2022/23
	£000	£000
Tourism, Culture & Inward Investment		
Markets income	250	250
Festivals and Events	50	50
Records Office	45	45
Estates & Building Services		
Property maintenance and income	1,500	1,500
Housing		
Fleet	750	750
Total Growth	2,595	2,595

- 6.9 The growth is described below:-
- (a) The income expectations at the retail market (£1.3m) have become increasingly unrealistic, and the additional £250,000 p.a. will rectify the position;
 - (b) Additional resource is required for festivals and events to offset rising costs of infrastructure and to support some other events that could generate significant economic benefit for the city;
 - (c) The Council needs to pay an increased contribution to the Records Office, following a review of the budget (and percentage shares) by the County Council;
 - (d) Property maintenance costs have increased due largely to a higher than expected need for routine repairs and statutory compliance following the introduction of the corporate landlord model. Additionally, an on-going reduction in the amount of capital construction activity supported by the Division, particularly as school expansions are now largely nearing completion, is reducing the income from capital fees.
 - (e) In recent years, vehicles in the Council's fleet have been used for a longer period following a review of useful lives: this has meant far fewer vehicles have

been purchased than usual, as less vehicles reached the end of their service. Vehicles are acquired by means of borrowing, for which the department makes revenue provision – in part, the proposed growth represents a step up in vehicle acquisition after this lull. Budgets are also under pressure because, although we are working towards electrification of the corporate fleet, we are not yet seeing savings through reduced maintenance and acquisition of parts (repair costs have in fact increased due to the fleet becoming older). A delay in rectification work after the fire at Leycroft Road depot has also delayed work to introduce an MOT offer.

6.10 The following savings have been reflected in the proposed budget:

	2021/22	2022/23
	£000	£000
Planning, Development & Transport		
Car parking	500	500
Bus lane enforcement – back office	50	100
Planning efficiencies	25	25
Neighbourhoods & Environmental Services		
Rationalisation of bring banks	25	25
Procurement savings on running costs	60	60
Total Savings	660	710

6.11 The savings are described below:-

- (a) Current parking charges are in multiples of £1, which are convenient for the public but constrain our ability to review charges. Work has been taking place for some time converting parking meters to cashless payment, which will facilitate a review once the pandemic is over. An adjustment is proposed to the department's budget, but it is recognised that review will be dependent on coming out of Covid restrictions. To the extent that the proposed saving cannot be achieved until later in the year, this will be compensated from one-off resources (see paragraph 9).
- (b) Efficiency savings are anticipated from rationalising back office functions for collecting bus lane infringement penalties;
- (c) A saving of £25,000 will be made following a review of the conservation team establishment and consolidation of ecology duties;
- (d) Savings are forecast from the rationalisation of bring banks, particularly those most susceptible to anti-social behaviour. Whilst the number of sites will be reduced, approximately 20 sites where new bins would be installed have been selected taking into account feedback from the public consultation, access

issues, existing levels of fly tipping (where applicable), space available and existing levels of usage;

(e) Procurement savings on running costs have already been achieved.

6.12 The department continues to face (and expects to manage) pressures associated with waste, due chiefly to increased amounts of waste to be disposed of.

Adult Social Care

6.13 Adult Social Care services nationally are facing severe cost pressures. This is recognised by the Government, although long-term solutions have been continually deferred (and now further deferred as a consequence of the pandemic). The Government has now stated that it expects to carry out a review in 2021.

6.14 Consequently, the Government has been providing additional resources on a year by year basis, at inadequate levels, with no guarantee that these will be increased (or indeed maintained) in future years.

6.15 The Adult Social Care Department has managed its budget well in recent years. This is a consequence of additional funding which has been provided in council budgets, and measures to contain costs (including staffing reductions of 20% and tight controls ensuring the service can only be accessed by people with a statutory entitlement).

6.16 In 2021/22 and beyond, the department continues to face significant demand led pressures:-

(a) The growth in need of people already using services, resulting in additional support being added to their existing package of care;

(b) Growth in numbers of people using services (both older people and working age adults with mental health conditions and learning disabilities);

(c) The cost of meeting need, which is rising by more than inflation, due to the impact of continuing increases in the National Living Wage (NLW) which drives care costs. The NLW will increase by 2.2% in 2021/22 (less than previously anticipated); the Government intends it to reach two-thirds of median wages by 2025, which implies higher increases in future years.

6.17 The combination of the above pressures means the aggregate cost of social care packages is expected to increase by 12% in 2021/22. It is proposed to increase the budget for Adult Social Care by £10.2m in 2021/22 rising to £30.2m by 2022/23. Government support will meet some, but not all of these costs: we will receive around £3m in additional grant support. This is obviously considerably short of what the Council needs (permission to increase council tax by 5% will raise an additional £3.6m).

6.18 The following savings will be deducted from the budget (all of which have already been achieved):

	2021/22	2022/23
	£000	£000
Admin savings	140	140
Pension costs for TUPE'd staff	154	154
Total Savings	294	294

6.19 Work is taking place to reduce the burden of growing costs. This includes:

- (a) A deep dive analysis to understand trends in care;
- (b) Investment in technology enabled care (TEC) which experience elsewhere suggests has scope for significant savings;
- (c) Further strengthening of prevention.

Education and Children's Services

6.20 In common with authorities across the country, increasing demand for social care services has been putting considerable pressure on the budget of the department (and the Council).

6.21 The pandemic has however made no appreciable difference to demand for social care, although new demand may surface once restrictions are completely lifted.

6.22 £14m was added to the budget of the department in 2020/21, £3m of which was described as temporary in anticipation of savings. Consideration of these savings has been derailed by the pandemic, and the budget therefore proposes to make this growth permanent. That aside, the department currently believes that no new monies will be required to meet growth in demand.

6.23 The budget does, however, propose the following growth:-

	2021/22	2022/23
	£000	£000
SEN home to school transport	2,382	2,382
Special Education Service – additional resource	425	425
Connexions review not proceeding	241	241
Total Growth	3,048	3,048

6.24 The growth is described below:-

- (a) The budget for SEN transport has been under pressure for some time reflecting cost increases for both the in-house fleet service and taxis. This has been exacerbated by growth in user numbers arising from Education, Health and Care Plans (EHCPs). The amount of additional money required has been offset by savings expected from the use of individual Passenger Transport Budgets (PTBs) (£0.5m p.a.) and from a new taxi framework contract (£0.8m p.a.);
- (b) Additional funding has been provided for more staff in the Special Education Service to ensure timely preparation of EHCPs. We have seen a growth of 62% in the number of EHCPs since 2016 and there has been no permanent increase in staffing to deal with this;
- (c) The budget for 2020/21 assumed savings would arise from a review of the Connexions Service. Whilst review has taken place, reductions to the service have not been made due to the impact the savings would have on the service, particularly given the economic impact the pandemic is likely to have;
- (d) The budget has also been adjusted for the implications of Government reform to the High Needs Block of DSG, which will have the practical effect of reducing recharges. This is not quantified in the table above, as provision was previously held centrally.

6.25 Work is taking place to reduce pressure in social care costs:-

- (a) Developing internal residential placements to reduce expensive external costs;
- (b) Developing a wider range of semi-independent placements;
- (c) Enhancing and promoting our foster care offer;
- (d) Developing an advanced foster carer scheme.

6.26 The recent introduction of therapy teams has secured a reduction in the number of care placements which would otherwise have been required, and is operating at full capacity.

6.27 In addition to the general fund, DSG budgets for higher needs pupils continue to be under severe pressure.

Health & Wellbeing

6.28 The Health and Wellbeing Division consists of core public health services, together with sports and leisure provision. It is partly funded from Public Health Grant and partly from the general fund. Public Health Grant has been falling in recent years, but was maintained at current levels in 2020/21 (after inflation). Allocations for 2021/22 were not available at the time of finalising this report.

6.29 The future of Public Health Grant beyond 2021/22 is unclear – it is anticipated that it will eventually be consolidated into the new 75% business rates retention scheme (assuming this is implemented). This, however, remains uncertain as it is subject to agreement between the Ministry of Housing, Communities and Local Government; and the Department of Health and Social Care – the latter may wish to impose requirements on how former Public Health Grant is spent in the future.

6.30 The proposed budget includes the following growth:.

	2021/22	2022/23
	£000	£000
Business Manager	55	55
Statutory advice to CCGs	75	75
Total Growth	130	130

6.31 This growth is described below:-

- (a) The business manager post is essential to supplement existing capacity in the wake of the pandemic and recruitment is underway. If growth is not approved, compensating savings will need to be found;
- (b) A part time consultant is proposed to deliver public health care to fulfil our statutory duty to support CCGs, and to have senior public health influence and leadership of the Integrated Care System. This will ensure that the health economy prioritises tackling inequalities in the city and places much greater emphasis on primary and secondary prevention.

6.32 The sports service is expected to suffer continued loss of income in 2021/22, as users are hesitant to return following the pandemic. Additionally, the pandemic will delay achievement of the savings expected from the recent Spending Review (£0.6m). These costs will be met from one-off resources (see paragraph 9).

6.33 To provide funding for the above, the following savings are proposed:-

	2021/22	2022/23
	£000	£000
Contraception Services	100	100
Services for Children aged 0 to 19	0	200
Lifestyle Services	35	35
Total Savings	135	335

6.34 These savings are described below:-

- (a) Reduced levels of expenditure by GPs providing contraception services;

- (b) Savings are anticipated from the Children’s 0-19 contract with Leicestershire Partnership Trust, when it is renewed prior to 2022/23 (this may be delayed and if so the budget impact will be reviewed in 12 months);
- (c) Miscellaneous Lifestyle Services savings can be achieved through more efficient targeting of the promotion of healthy food and physical exercise within schools.

Corporate Resources & Support

6.35 The department primarily provides back office support services, but also some public facing services such as benefits and collection of council tax. It has made considerable savings in recent years in order to contribute to the Council’s savings targets. It has nonetheless achieved a balanced budget each year.

6.36 The following growth is proposed:-

	2021/22	2022/23
	£000	£000
Making Temporary Teams Permanent		
Digital Transformation Team	660	660
Service Analysis Team	235	235
Smart Cities	250	250
Entrepreneurial Councils	125	125
Finance Projects Team	260	260
Other Growth		
Revenues & Benefits	250	250
Childcare & contract lawyers	469	469
Total	2,249	2,249

6.37 This growth is described below:-

- (a) A number of teams delivering new ways of working and modern services have been funded from annual savings achieved from other budgets, or departmental reserves. In line with our overall approach to 2021/22 (a transition year) it is proposed to build these costs into the main budget. These services are seen as enabling new approaches which will be critical as we plan for 2022/23;
- (b) Costs of the Revenue and Benefits Service are increasing due to difficulties in recruiting and retaining staff as the Government moves claimants onto Universal Credit, and continuing Government grant reductions;

- (c) Childcare and contract legal work has been underfunded compared to the growing volumes of work in these areas, and has previously been funded on a year by year basis.

6.38 The following savings are proposed:-

	2021/22	2022/23
	£000	£000
Finance Division Review	400	400
IT – efficiency savings	36	36
VCS infrastructure	50	100
Total Savings	486	536

6.39 These savings are described below:-

- (a) An organisational review of the Finance Division is taking place, to make further efficiency savings;
- (b) Efficiency savings can be achieved by IT Services, consequential to Spending Review 4 savings;
- (c) The VCS infrastructure contract will be re-procured with a view to achieving savings and to focusing the contract specifically on supporting the sustainability of the sector. This is in line with a VCS strategy which is in development, and in light of other activity which has been developed in recent years to support the VCS (such as crowdfunding). It will also build on the benefits of the volunteering, relationships and engagement approach which has been part of the Covid pandemic response.

7. **Corporately Held Budgets and Provisions**

- 7.1 In addition to the service 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. This budget is not controlled to a cash ceiling, and is managed by the Director of Finance. Costs which fall to be met by this budget are driven by the Council's treasury management strategy, which will also be approved by Council in February, and are affected by decisions made by the Director of Finance in implementation of this policy.
- 7.3 A **contingency** of £2m has been included in the budget, to manage significant pressures that arise during the year. This is particularly appropriate due to the level of uncertainty in the budget this year.

- 7.4 **Miscellaneous central budgets** include external audit fees, pensions costs of some former staff, levy payments to the Environment Agency, bank charges, general insurance costs, monies set aside to assist council taxpayers suffering hardship and other sums it is not appropriate to include in service budgets. These budgets are offset by the effect of recharges from the general fund to other statutory accounts of the Council (which are reducing over time).
- 7.5 For 2021/22, central budgets also include £1.7m for increased provision to support vulnerable households during and after the pandemic, which will be funded from (unringfenced) government grant. We propose to use this for:
- £0.5m to increase the discretionary council tax hardship fund (this is in addition to £0.5m per annum provision from the general budget);
 - £0.3m for additional crisis support payments;
 - £0.9m to increase the discretionary housing payments fund, which provides additional support to meet housing costs that are not covered by Universal Credit or Housing Benefit.

The uses of this funding will be kept under review during the year, and may be reallocated between these areas depending on need.

8. **Resources**

- 8.1 This budget has been prepared based on the financial settlement published in early February. At the time of writing, this had not been confirmed by Parliament, but no changes are expected. Given the level of uncertainty about the public finances in the future, the government has again produced a one-year Spending Review and settlement for 2021/22, and deferred a multi year plan until the following year. The settlement largely rolls forward existing funding allocations, with some limited additional funding made available for 2021/22 only.

Business Rates Retention Scheme

- 8.2 Since 2013, local government has retained 50% of the business rates collected locally, with the other 50% being paid to central government. In Leicester, 1% is paid to the fire authority, and 49% has been retained by the Council. This is known as the “Business Rate Retention Scheme”.
- 8.3 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) a **top-up to local business rates**, paid to authorities with lower taxbases relative to needs (such as Leicester) and funded by authorities with greater numbers of higher-rated businesses.

(b) **Revenue Support Grant (RSG)**, which has declined sharply in recent years as it is the main route for the government to deliver cuts in local government funding (and the methodology for doing this has disproportionately disadvantaged deprived authorities).

- 8.4 Forecasts of business rates income are particularly sensitive to assumptions about the length and severity of the economic downturn caused by the pandemic. The figures in this budget assume no significant growth, as the economy recovers from the pandemic. There will be continuing implications for collecting the sums due, which has been reflected in a higher provision. Also, higher exemptions are forecast as a result of greater vacancy rates.
- 8.5 The government has recently announced that the rates multiplier will be frozen for 2021/22, which means that less income will be collected from ratepayers (compared to our original assumptions). However, we will be reimbursed by government grant, so there should be no net effect on our budget.

Council Tax

- 8.6 Council tax income is estimated at £126.8m in 2021/22, based on a tax increase of just below 5% (the maximum allowed without a referendum). The proposed tax increase includes the additional “social care levy” allowed since 2016/17, and designed to help social care authorities mitigate the growing costs of social care; the Government will expect us to demonstrate that the money is being used for this purpose.
- 8.7 The assumed taxbase for 2021/22 has reduced since last year’s budget. This is partly the result of an increased provision for bad debt, as the ongoing economic effects of the pandemic will lead to more residents having difficulty in paying. There has also been an increase in the cost of the council tax support scheme during the pandemic (this had been consistently decreasing in previous years), and the increase will not be eradicated immediately the pandemic is over. We will receive some support from government towards the increased costs of council tax support in 2021/22.

Other grants

- 8.8 The Government also controls a range of other grants. The majority of these are not shown in the table at paragraph 4.1, as they are treated as income to departments (departmental budgets are consequently lower than they would have been). Those held corporately are described below:
- a) **New Homes Bonus (NHB)**. This is a grant which roughly matches the council tax payable on new homes, and homes which have ceased to be empty on a long term basis. The grant has become less generous in recent years, and will reduce further in 2021/22, in part because the numbers of long term empty homes have increased during 2020 across the country. The future of NHB beyond 2021/22 is in doubt.

b) Additional funding to support **Social Care** has been made available each year since 2017/18, although this has been as a series of one-off allocations rather than a stable funding stream. For 2021/22, the total funding nationally will be £1.8 billion (a £300 million increase from 2020/21). Our share of this is around £13 million.

c) An additional **Local Council Tax Support grant** for 2021/22. This is an unringfenced grant, which we will use to support the additional costs of providing local council tax support following the pandemic. Our (provisional) allocation is £3.4 million; the budget proposes using 50% of this to meet the increased cost of the existing LCTS scheme, with the remaining 50% used to provide other support to vulnerable households (see paragraph 7.5 above).

d) A one-off “lower tier services support grant” of £0.7m for 2021/22. In effect, this is an addition to general grant funding for district and single-tier authorities; but unlike other funding streams we do not expect it to be included in baselines for subsequent years.

Collection Fund surplus / deficit

- 8.9 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true. This year, in common with authorities nationally, tax collection has significantly reduced during the Covid restrictions.
- 8.10 In 2020/21, as part of the response to the pandemic, the Government granted a raft of new rates reliefs to businesses: we have been compensated by Government grant. In itself, this has no net cost to the Council (in fact it is helpful because we do not have to recover monies from individual ratepayers). Due to accounting rules, the effect of this in our accounts will look peculiar. For clarity, the figures in this report show the true underlying position.
- 8.11 Collection fund deficits are particularly difficult to predict this year, due to the uncertainty over the path of the pandemic. This will affect the amount of 2020/21 tax debt that we can eventually recover in future years, and therefore the provision for bad debts that we require.
- 8.12 Under temporary rules introduced to deal with these income losses, the collection fund deficit arising in 2020/21 will be spread over the following three years. In addition, the government is giving a grant towards the irrecoverable losses. This scheme is less generous than we had expected in the draft budget, particularly on council tax, as the increased cost of bad debts is *not* being funded.
- 8.13 The Council has an estimated **council tax collection fund deficit** of £4.5m, after allowing for shares paid to the police and fire authorities. This will be recovered between 2021/22 and 2023/24. The majority of this relates to reduced collection rates arising from the pandemic and lockdown, and assumptions made about how much will

eventually be collected. If eventual collection rates are better than these assumptions, the additional amount will be brought back into the budget in future years. It also includes the estimated amount of additional council tax support which will be paid in 20/21. We will receive an estimated £0.9m of grant funding towards this deficit.

8.14 The Council has an estimated **business rates collection fund deficit** of £5.6m (again, this will be recovered over 3 years). This is largely the result of an increased appeals and bad debt provision, as collection has declined during the pandemic and lockdown. Some however arises from additional exemptions for properties which have become vacant. We will receive an estimated £4m of grant funding towards this deficit.

9. **Managed Reserves Strategy**

9.1 The pandemic and the change in our approach to the budget strategy has had a significant impact on our requirement for reserves. Amounts previously set aside to manage future budgets will largely be required to balance 2021/22 and to deal with pandemic related pressures.

9.2 The Council has agreed to maintain a minimum balance of £15m of reserves. The new strategy does not propose to change this.

9.3 The Council also has a number of earmarked reserves, which are further discussed in section 10 below. Key amongst these is the managed reserves strategy which is dealt with below.

9.4 Since 2013, the Council has used a managed reserves strategy, contributing money to reserves in the early years of the strategy, and drawing down reserves in later years. This policy has bought time to more fully consider how to make the substantial cuts which have been necessary. The pandemic is expected to make significant inroads into these reserves:

- (a) we do not yet know the extent of costs (and lost income) during the pandemic, the duration of restrictions, or the final extent of Government support;
- (b) significant cost is likely to be incurred as we emerge from the pandemic, to support local recovery and to assist vulnerable people;
- (c) government recovery schemes are expected to require local contributions;
- (d) £3.2m will be required to meet the costs of the 2020/21 collection fund deficit which will be spread between 2022/23 and 2023/24.

9.5 Conversely, a review of earmarked reserves has resulted in £4.6m becoming surplus to requirements and has been added back to managed reserves.

- 9.6 Estimated uncommitted reserves are shown below, and emphasise the need for a fundamental budget review as soon as possible:

	£m
Brought forward 1 st April 2020	66.8
Add transfers from earmarked reserves	4.6
Minus use planned in 2020/21 budget	(2.4)
Minus use planned in 2021/22 budget	(17.1)
Provision for Covid costs	(30.0)
Uncommitted balance for 22/23	21.9

10. **Earmarked Reserves**

- 10.1 In addition to the general reserves, the Council also holds earmarked reserves which are set aside for specific purposes. These include ring-fenced 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 Earmarked reserves are kept under review, and amounts which are no longer needed for their original purpose can be released for other uses, including the managed reserves strategy.
- 10.3 Earmarked reserves are shown at Appendix Four.

11. **Medium Term Strategy**

- 11.1 Planning for the budget beyond 2021/22 is extremely difficult, as the government's spending plans for this period will not be announced until the middle of 2021 at the earliest. Nevertheless, we need to ensure the Council's finances are sustainable in the longer term. Best practice now requires us to include a medium term strategy, which is exceptionally difficult in the middle of a pandemic. A medium-term financial forecast is attached at Appendix Five to this report.

12. **Budget and Equalities**

- 12.1 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.
- 12.2 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.
- 12.3 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.
- 12.4 When making decisions, the Council (or decision maker, in this case 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.
- 12.5 This report seeks approval to the proposed budget strategy. The report sets out financial ceilings for each service which act as maxima above which the City Mayor cannot spend (subject to his power of virement). However, decisions on services to be provided within the budget ceilings are taken by managers or the City Mayor separately from the decision regarding the budget strategy. Where appropriate, an individual Equalities Impact Assessment for any service changes will be undertaken when these decisions are developed.
- 12.6 While this report does not seek approval to any specific service proposals, it does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2021/22 is £1,694.92, an increase of just below 5% compared to 2020/21. 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 analysis is provided at Appendix Three.
- 12.7 The budget proposes increases to the Council's provision to support vulnerable households during and after the pandemic (see 7.5 above), which should help to mitigate the effects on these households. Council officers should continue to ensure that if any additional or on-going support is put in place, efforts are made to ensure that all sections of the community are able to access the support that they are entitled to. This may involve ensuring that there are accessible and possibly targeted communications where there may be barriers to access.
- 12.8 A number of risks to the budget are addressed within this report (section 13 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.

13. **Risk Assessment and Adequacy of Estimates**

- 13.1 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.
- 13.2 In the current climate, it is inevitable that the budget carries significant risk, even more than in previous years. In my view, although very difficult, the budget for 2021/22 is achievable subject to the risks and issues described below.
- 13.3 The most significant risks in the 2021/22 budget include (but are not limited to) the ongoing effects of the coronavirus pandemic, which are affecting almost all areas of the Council's operations. However, there are also pre-existing pressures which continue to pose a risk to the financial position:
- (a) Adults social care spending pressures, specifically the risk of further growth in the cost of care packages;
 - (b) The costs of looked after children, which have seen growth nationally. These have not been significantly impacted by the pandemic, but we may see pressure build again when restrictions end;
 - (c) Continued shortfalls in service income, particularly in areas where service operation and demand have been affected by the pandemic. This includes sports and leisure facilities, De Montfort Hall and parking income;
 - (d) If the economic downturn is longer or more severe than predicted, this could result in new cuts to grant; falling business rate income; and increased cost of council tax reductions for taxpayers on low incomes. It could also lead to a growing need for council services and an increase in bad debts;
 - (e) This budget has been prepared before we know the Government's plans for local authority funding for 2022/23;
- 13.4 The budget seeks to manage these risks as follows:-
- (a) A minimum balance of £15m reserves will be maintained;
 - (b) Reserves have been identified to meet pandemic pressures;
 - (c) A contingency of £2m has been included in the budget for 2021/22;
- 13.5 Subject to the above comments, I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust. (Whilst no inflation is provided for the generality of running costs in 2021/22, some exceptions are made, and it is believed that services will be able to manage without an allocation).

14. **Consultation on the Draft Budget**

- 14.1 Comments from partners are summarised at Appendix Six. Members wishing to see the full responses are asked to contact the report authors.

14.2 Comments from scrutiny committees have been circulated with your agenda.

14.3 No comments have been received from trade unions or statutory consultees.

15. **Financial Implications**

15.1 This report is exclusively concerned with financial issues.

15.2 Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made unless the member concerned declares the arrears at the outset of the meeting and that as a result s/he will not be voting. The member can, however, still speak. The rules are more circumscribed for the City Mayor and Executive. Any executive member who has arrears outstanding for 2 months or more cannot take part at all.

16. **Legal Implications (Kamal Adatia, City Barrister)**

16.1 The budget preparations have been in accordance with the Council's Budget and Policy Framework Procedure Rules – Council's Constitution – Part 4C. The decision with regard to the setting of the Council's budget is a function under the constitution which is the responsibility of the full Council.

16.2 At the budget-setting stage, Council is estimating, not determining, what will happen as a means to the end of setting the budget and therefore the council tax. Setting a budget is not the same as deciding what expenditure will be incurred. The Local Government Finance Act, 1992, requires an authority, through the full Council, to calculate the aggregate of various estimated amounts, in order to find the shortfall to which its council tax base has to be applied. The Council can allocate greater or fewer funds than are requested by the Mayor in his proposed budget.

16.3 As well as detailing the recommended council tax increase for 2021/22, the report also complies with the following statutory requirements:-

- (a) Robustness of the estimates made for the purposes of the calculations;
- (b) Adequacy of reserves;
- (c) The requirement to set a balanced budget.

16.4 Section 65 of the Local Government Finance Act, 1992, places upon local authorities a duty to consult representatives of non-domestic ratepayers before setting a budget. There are no specific statutory requirements to consult residents, although in the preparation of this budget the Council has undertaken tailored consultation exercises with wider stakeholders.

16.5 The discharge of the 'function' of setting a budget triggers the duty in s.149 of the Equality Act, 2010, for the Council to have "due regard" to its public sector equality duties. These are set out in paragraph 12. There are considered to be no specific

proposals within this year's budget that could result in new changes of provision that could affect different groups of people sharing protected characteristics. Where savings are anticipated, equality assessments will be prepared as necessary. Directors and the City Mayor have freedom to vary or abort proposals under the scheme of virement where there are unacceptable equality consequences. As a consequence, there are no service-specific 'impact assessments' that accompany the budget. There is no requirement in law to undertake equality impact assessments as the only means to discharge the s.149 duty to have "due regard". The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed case law is clear that undertaking an EIA on an 'envelope-setting' budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed. However, an analysis of equality impacts has been prepared in respect of the proposed increase in council tax, and this is set out in Appendix Three.

16.6 Judicial review is the mechanism by which the lawfulness of Council budget-setting exercises are most likely to be challenged. There is no sensible way to provide an assurance that a process of budget setting has been undertaken in a manner which is immune from challenge. Nevertheless the approach taken with regard to due process and equality impacts is regarded by the City Barrister to be robust in law.

17. **Report Authors**

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Budget ceilings

	2020/21 budget (revised)	Non-pay inflation & technical changes	Spending Reviews already approved	Growth from budget reviews	Savings from budget reviews	2021/22 budget ceiling
<u>1. City Development & Neighbourhoods</u>						
<u>1.1 Neighbourhood & Environmental Services</u>						
Divisional Management	271.4					271.4
Regulatory Services	3,005.1					3,005.1
Waste Management	17,534.1				(25.0)	17,509.1
Parks & Open Spaces	3,891.3	84.0				3,975.3
Neighbourhood Services	5,761.3		(255.0)		(60.0)	5,446.3
Standards & Development	1,632.3					1,632.3
<i>Divisional sub-total</i>	32,095.5	84.0	(255.0)	0.0	(85.0)	31,839.5
<u>1.2 Tourism, Culture & Inward Investment</u>						
Arts & Museums	4,064.9			95.0		4,159.9
De Montfort Hall	550.4					550.4
City Centre	178.6					178.6
Place Marketing Organisation	377.8					377.8
Economic Development	26.4		(80.0)			(53.6)
Markets	(391.1)			250.0		(141.1)
Adult Skills	(870.4)					(870.4)
Divisional Management	181.0					181.0
<i>Divisional sub-total</i>	4,117.6	0.0	(80.0)	345.0	0.0	4,382.6
<u>1.3 Planning, Transportation & Economic Development</u>						
Transport Strategy	9,897.2		(50.0)		(50.0)	9,797.2
Highways	3,466.4				(500.0)	2,966.4
Planning	1,000.8				(25.0)	975.8
Divisional Management	134.4					134.4
<i>Divisional sub-total</i>	14,498.8	0.0	(50.0)	0.0	(575.0)	13,873.8
<u>1.4 Estates & Building Services</u>	4,667.1		(75.0)	1,500.0		6,092.1
<u>1.5 Housing Services</u>	2,591.8			750.0		3,341.8
<u>1.6 Departmental Overheads</u>						
School Organisation & Admissions	452.7					452.7
Overheads	568.3					568.3
<i>Divisional sub-total</i>	1,021.0	0.0	0.0	0.0	0.0	1,021.0
DEPARTMENTAL TOTAL	58,991.8	84.0	(460.0)	2,595.0	(660.0)	60,550.8

Appendix One

Budget ceilings

	2020/21 budget (revised)	Non-pay inflation & technical changes	Spending Reviews already approved	Growth from budget reviews	Savings from budget reviews	2021/22 budget ceiling
<u>2. Adults</u>						
<u>2.1 Adult Social Care & Safeguarding</u>						
Other Management & support	728.2					728.2
Safeguarding	146.1					146.1
Preventative Services	6,547.8					6,547.8
Independent Sector Care Package Costs	109,171.0	2,285.5	(70.0)	10,200.0		121,586.5
Care Management (Localities)	6,890.1					6,890.1
<i>Divisional sub-total</i>	123,483.2	2,285.5	(70.0)	10,200.0	0.0	135,898.7
<u>2.2 Adult Social Care & Commissioning</u>						
Enablement & Day Care	3,012.9					3,012.9
Care Management (LD & AMH)	5,011.3					5,011.3
Preventative Services	1,382.7				(90.0)	1,292.7
Contracts, Commissioning & Other Support	5,515.9				(50.0)	5,465.9
Departmental	(31,130.1)				(154.0)	(31,284.1)
<i>Divisional sub-total</i>	(16,207.3)	0.0	0.0	0.0	(294.0)	(16,501.3)
DEPARTMENT TOTAL	107,275.9	2,285.5	(70.0)	10,200.0	(294.0)	119,397.4
<u>3. Education & Children's Services</u>						
<u>3.1 Strategic Commissioning & Business Support</u>						
	1,296.0					1,296.0
<u>3.2 Learning Quality & Performance</u>						
Raising Achievement	494.8					494.8
Learning & Inclusion	1,055.7			241.0		1,296.7
Special Education Needs and Disabilities	9,499.8			2,807.0		12,306.8
<i>Divisional sub-total</i>	11,050.3	0.0	0.0	3,048.0	0.0	14,098.3
<u>3.3 Children, Young People and Families</u>						
Children In Need	11,235.0					11,235.0
Looked After Children	43,270.3	202.1				43,472.4
Safeguarding & QA	2,375.3					2,375.3
Early Help Targeted Services	5,355.3					5,355.3
Early Help Specialist Services	3,174.3					3,174.3
<i>Divisional sub-total</i>	65,410.2	202.1	0.0	0.0	0.0	65,612.3
<u>3.4 Departmental Resources</u>	(1,957.4)	450.0		3,000.0		1,492.6
DEPARTMENTAL TOTAL	75,799.1	652.1	0.0	6,048.0	0.0	82,499.2

Appendix One

Budget ceilings

	2020/21 budget (revised)	Non-pay inflation & technical changes	Spending Reviews already approved	Growth from budget reviews	Savings from budget reviews	2021/22 budget ceiling
<u>4. Health and Wellbeing</u>						
Adults' Services	8,984.7	94.7			(100.0)	8,979.4
Children's 0-19 Services	8,544.5	434.8				8,979.3
Lifestyle Services	1,222.2	6.5			(35.0)	1,193.7
Staffing & Infrastructure & Other	2,134.4	67.2		130.0		2,331.6
Sports Services	2,493.7		(650.0)			1,843.7
DEPARTMENT TOTAL	23,379.5	603.2	(650.0)	130.0	(135.0)	23,327.7
<u>5. Corporate Resources Department</u>						
<u>5.1 Delivery, Communications & Political Governance</u>	5,960.1			1,035.0	(50.0)	6,945.1
<u>5.2 Financial Services</u>						
Financial Support	4,735.5			495.0	(400.0)	4,830.5
Revenues & Benefits	6,412.4			250.0		6,662.4
<i>Divisional sub-total</i>	11,147.9	0.0	0.0	745.0	(400.0)	11,492.9
<u>5.3 Human Resources</u>	3,952.3					3,952.3
<u>5.4 Information Services</u>	9,190.3		(17.0)		(36.0)	9,137.3
<u>5.5 Legal Services</u>	2,745.2			469.0		3,214.2
DEPARTMENTAL TOTAL	32,995.8	0.0	(17.0)	2,249.0	(486.0)	34,741.8
TOTAL -Service Budget Ceilings	298,442.1	3,624.8	(1,197.0)	21,222.0	(1,575.0)	320,516.9
less public health grant	(26,599.0)	(603.2)				(27,202.2)
add provision for pay award						700.0
NET TOTAL	271,843.1	3,021.6	(1,197.0)	21,222.0	(1,575.0)	294,014.7

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 the 2021/22 pay award;
 - (c) The Director of Finance may reallocate the provision for additional support for vulnerable households to reflect actual need as it arises;
 - (d) The City Mayor may determine how the 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) a carry forward reserve, subject to the usual requirement for a business case.
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.

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 3% for Adult Social Care, as permitted by the Government without requiring a referendum.

2. Who is affected by the proposal?

- 2.1 As at October 2020, there are 129,850 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).
- 2.2 All 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-	267	£0.86	£0.17
A	77,269	£1.03	£0.21
B	25,803	£1.20	£0.24
C	14,833	£1.38	£0.41
D	6,181	£1.55	£0.58
E	3,351	£1.89	£0.93
F	1,518	£2.24	£1.27
G	591	£2.58	£1.62
H	37	£3.10	£2.13
Total	129,850		

Notes: "A-" properties refer to band A properties receiving an extra reduction for Disabled Relief. Households may be entitled to other discounts on their council tax bill, which are not shown in the table above.

- 3.2 For band B properties (almost 80% of the city's properties are in bands A or B), the proposed annual increase in council tax is £62.76; the minimum annual increase for households eligible under the CTSS would be £12.55 (for a working-age household, and excluding the impact of any other discounts).
- 3.3 In most cases, the change in council tax (around £1.20 per week for a band B property with no discounts; and less than 25p 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.

- 3.4 Many households at all levels of income have seen significant income shocks due to the coronavirus pandemic and the economic downturn. However, to date, these have been partly cushioned by national policies including furlough and self-employment support schemes, the £20/week increase to universal credit, and mortgage payment holidays. As these policies draw to an end, some households' disposable income is likely to fall further.
- 3.5 It is difficult at this stage to know where these pressures will fall in future, but it is likely that some protected groups will see greater impacts. Up to September, there were higher rates of job losses among younger people; Black, Asian and minority ethnic groups; and lower-paid workers¹.
- 3.6 Ongoing welfare system reforms will also have a disproportionate effect on some lower-income groups, in particular the rollout of Universal Credit. Research before the pandemic by the Joseph Rowntree Foundation (JRF) has identified certain groups who are particularly likely to be on a low income² and may therefore see a disproportionate effect from a small (in absolute terms) increase in council tax. These include lone parents, single-earner couples and larger families (with 3 or more children).

4. **Alternative options**

- 4.1 Whilst the current budget does not propose significant reductions to services, this is very much a holding position due to the pandemic. Cuts in future years are believed to be inevitable. Without a council tax increase, or with a lower council tax increase, over time there would have to be greater cuts to services. 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 (which are then unavailable to spend on services) or cuts to services in 2021/22. Whilst the Government has stated that the ASC precept may be phased over two years, we do not have enough information to understand the implications for future years.
- 4.2 It is not possible to say where these 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. Over half of the increase (3% of the proposed 5%) is for the Social Care precept, which is specifically to support the increasing cost pressures in these areas.

¹ *Jobs, Jobs, Jobs: Evaluating the effect of the current economic crisis on the UK labour market*, Resolution Foundation, October 2020

² *A Minimum Income Standard for the United Kingdom in 2019*, JRF, July 2019; updated July 2020.

5. **Mitigating actions**

- 5.1 For residents likely to experience short term financial crises as a result of the cumulative impacts of the above risks, the Council has a range of mitigating actions. 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 council's or partners' food banks; 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 Council is also running a welfare benefits take-up campaign, to raise awareness of entitlements and boost incomes among vulnerable groups.
- 5.2 For 2021/22, the government has made additional funding available to support households that are least able to afford council tax increases. Proposals for the use of this include increases to the amounts available for Discretionary Housing Payments, council tax discretionary relief and crisis payments.

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.

Analysis of impact based on protected characteristic

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
<p>Age</p>	<p>Older people are least affected by a potential increase in council tax. Older people (pension age & older) have been relatively protected from the impacts of the recession & welfare cuts, as they receive protection from inflation in the uprating of state pensions. Low-income pensioners also have more generous (up to 100%) council tax relief. However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as older people are the primary service users of Adult Social Care.</p> <p>Working age people bear the brunt of the impacts of welfare reform reductions – particularly those with children. Whilst an increasing proportion of working age residents are in work, national research indicates that those on low wages are failing to get the anticipated uplift of the National Living Wage. There is some evidence that low-paid workers, and younger people, have been more likely to lose their jobs in the pandemic.</p>	<p>Working age households and families with children – incomes squeezed through low wages and reducing levels of benefit income.</p> <p>Younger people more likely to have faced job losses in the pandemic.</p>	<p>Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.</p>
<p>Disability</p>	<p>Disability benefits have been reduced over time as thresholds for support have increased.</p> <p>The tax increase could have an impact on such household incomes. However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as disabled people are more likely to be service users of Adult Social Care.</p>	<p>Further erode quality of life being experienced by disabled people as their household incomes are squeezed further as a result of reduced benefits.</p>	<p>Disability benefits are disregarded in the assessment of need for CTSS purposes. Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets.</p>

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Gender Reassignment	No disproportionate impact is attributable specifically to this characteristic.		
Pregnancy and Maternity	Maternity benefits have not been frozen and therefore kept in line with inflation. However, other social security benefits have been frozen, but without disproportionate impact arising for this specific protected characteristic.		
Race	Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some BME people are also low income and on benefits. Nationally, one-earner couples have seen particular falls in real income and are disproportionately of Asian background – which suggests an increasing impact on this group. There is some evidence that minority ethnic groups have been more likely to face job losses in the pandemic.	Household income being further squeezed through low wages and reducing levels of benefit income.	Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Where required, interpretation and translation will be provided in line with the Council's policy to remove barriers to accessing the support identified.
Religion or Belief	No disproportionate impact is attributable specifically to this characteristic.		
Sex	Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents. Analysis has identified lone parents as a group particularly likely to lose income from welfare reforms.	Incomes squeezed through low wages and reducing levels of benefit income. Increased risk for women as they are more likely to be lone parents.	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.
Sexual Orientation	No disproportionate impact is attributable specifically to this characteristic.		

Earmarked Reserves

1. The table below shows the current position on our Earmarked Reserves, these balances will be different at the end of the year. These figures take account of the release of £4.6m from departmental reserves to support the managed reserves strategy:

	Current Balance £000
<u>Ring-fenced Reserves</u>	
School Balances	14,740
DSG not delegated to schools	5,577
School Capital Fund	2,750
Schools Buy Back	2,486
Education & Skills Funding Agency Learning Programmes	863
Arts Council National Portfolio Organisation Funding	822
Subtotal Ring-fenced Reserves	27,238
<u>Departmental Earmarked Reserves</u>	
Children's Services Pressures	8,820
Social Care Reserve	8,322
ICT Development Fund	6,265
City Development & Neighbourhoods	5,161
Delivery, Communications & Political Governance	2,971
Health & Wellbeing Division	2,888
Financial Services Reserve	2,849
NHS Joint Working Projects	2,483
Housing	2,118
Other Departmental Reserves	464
Subtotal Departmental Reserves	42,341
<u>Corporate Reserves</u>	
Managed Reserves Strategy	69,055
Capital Programme Reserve	57,666
Covid 19 Grants	10,849
Insurance Fund	8,519
BSF Financing	7,493
Welfare Reserve	5,505
Severance Fund	4,821
Service Transformation Fund	3,730
Other Corporate Reserves	4,537
Subtotal Corporate Reserves	172,175
Total Earmarked Reserves	241,754

2. Earmarked reserves can be divided into ring-fenced reserves, which are funds 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.
3. Ring-fenced reserves include:-
 - Reserves for schools:
 - School Capital Fund
 - Schools Buyback
 - Dedicated Schools Grant
 - Schools balances
 - Two smaller reserves held because grant funding has been received to fund specific schemes.
4. Departmental reserves include amounts held by service departments to fund specific projects or identified service pressures. Significant amounts include:-
 - **Children's Services:** to balance the 2020/21 and future years' budgets.
 - **Social Care Reserve:** to assist in the management of budget pressures in adults' and children's social care.
 - **ICT Development Fund** this reserve funds a rolling programme for network and server upgrades and replacement of PC stock. It also includes funding put aside at the 2019/20 outturn to fund initiatives to make our ICT more resilient and improve the remote working offer.
 - **City Development and Neighbourhoods:** to meet known additional pressures, including one off costs associated with highways functions and the cost of defending planning decisions.
 - **Health & Wellbeing:** to support service pressures, channel shift and transitional costs. As part of the review of departmental reserves, £1.2m has been released to the Managed Reserves Strategy.
 - **Delivery, Communications & Political Governance:** This reserve was principally setup for the funding of the Digital Transformation Team and other temporary staffing costs. As part of this report, the cost of these teams is being included in the base budget, thus releasing £1.6m to the Managed Reserves Strategy. The remaining balance relates to elections and other projects within the department.
 - **Financial Services:** for expenditure on improving the Council's finance systems; spikes in benefit processing and overpayment recovery; and to mitigate budget pressures including reducing grant income to the Revenues & Benefits service. The balance is net of £1.2m which has been released from this reserve, which was previously funding specific

teams that have now been included as permanent growth to the budget as part of this report.

- **NHS joint working projects:** for joint projects with the NHS.
- **Housing:** predominantly held to meet spikes in bed & breakfast costs and government funding to support recent arrivals to the city.
- **Other** this includes a number of smaller departmental reserves. £0.3m has been transferred to the Managed Reserves Strategy as posts in Legal Services have now been included in the budget. In addition, a number of smaller reserves have been reviewed releasing £0.3m to the Managed Reserves Strategy.

5. Corporate reserves include:-

- **Managed Reserves Strategy:** a key element to delivering this budget strategy, as set out in paragraph 9 of the main report;
- **Capital Programme Reserve:** to support approved spending on the Council's capital programme;
- **Covid 19 Grants** are grants received from the Government to meet the costs of the pandemic. This is not the full amount of the grants – just the ones received in March which we are required to treat as earmarked reserves;
- **Insurance Fund:** to meet the cost of claims which are self-insured;
- **BSF Financing:** to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the redeveloped schools;
- **Welfare Reserve:** set aside to support welfare claimants who face crisis, following the withdrawal of government funding; together with providing welfare support more generally, which includes any long term implications of the Covid-19 pandemic;
- **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other costs arising from budget cuts;
- **Service Transformation Fund:** to fund projects which redesign services enabling them to function more effectively at reduced cost;
- **Other reserves:** includes monies for “spend to save” schemes that reduce energy consumption, the combined heat and power reserve, and the surplus property reserve which is used to prepare assets for disposal.

Medium Term Financial Outlook 2022/23 – 2023/24

1. A one-year budget has been presented for 2021/22. After March 2022, we have (at the time of writing) very little certainty about funding arrangements or the future economic outlook. As a result, medium-term planning is a somewhat precarious exercise.
2. Our central forecasts for the period up to 2023/24 are set out in the table below. The key assumptions (and the associated risks and uncertainties) are further explained below.

	2021/22 £m	2022/23 £m	2023/24 £m
Net service budget (including inflation)	294.0	320.7	347.9
Corporate and other centrally held budgets	9.2	8.9	9.2
Contingency	2.0		
Planning provision		3.0	6.0
Expenditure total	305.2	332.6	363.1
Business rates income	64.0	65.0	66.0
Top-up payment	48.4	49.3	50.4
Revenue Support Grant	29.0	29.6	30.2
Less assumed future cuts		(5.0)	(10.0)
Council Tax	126.8	130.1	133.9
Collection Fund deficit 2020/21 (phased)	(3.6)	(3.2)	(3.2)
Govt funding towards Collection Fund	1.6	1.6	1.6
Social Care grants	13.1	22.1	31.1
Lower Tier Services Grant	0.7		
Local Council Tax Support Grant	3.4		
New Homes Bonus	4.7	3.7	2.7
Income Total	288.1	293.2	302.7
Budget gap	17.1	39.4	60.4

Expenditure

3. The expenditure budgets above include the unavoidable cost pressures, and achievable savings, set out in section 6 of the main budget report. No further savings are assumed, so any additional savings will help close the gap. The estimated cost of pay awards is included, as is non-pay inflation on unavoidable costs in social care and the waste management contract. A

planning provision of £3m per year in each of 2022/23 and 2023/24 has been included towards any future unavoidable cost pressures.

4. Capital financing budgets for 2022/23 and 2023/24 have been adjusted to reflect a reduction in interest received on invested balances, due to ongoing low interest rates.
5. There are several areas where expenditure pressures may exceed these forecasts. These include:
 - The costs of care packages in Adult Social Care, if demand increases above our forecasts or there are unavoidable cost pressures such as unexpected further increases to the National Minimum Wage;
 - Further growth in demand-led Children's Social Care costs;
 - Potential shortfalls in service income, if demand does not return to pre-pandemic levels by the end of 2022/23;
 - A prolonged economic downturn is likely to increase demand across a range of services.

Income

6. We assume that council tax increases will continue to be restricted by the referendum rules, although we do not yet know the rules after 2021/22. For planning purposes, the table above assumes council tax increases of 2% per year; and that council tax collection rates return to previous levels by 2023. If the economic downturn is longer, or more severe, than our projections this will have a further effect on income.
7. The rates forecasts presented above assume no substantial changes to the funding we receive. The government has proposed significant reforms to the funding system, although these have now been delayed several times. These include increasing the proportion of rates retained locally to 75%. In itself, the change should be financially neutral, as other funding elements will be reduced to offset the additional retained rates. There may also be reforms to the system to cushion the impact of appeals.
8. There is likely to be a more substantial effect on the Council's finances from the "fair funding review" planned for the same date, which will redistribute resources between councils. At the time of writing, it is unclear what the impact will be on individual authorities. We should benefit from the new formula fully reflecting the differences in council taxbase between different areas of the country; however, there are other pressures on the funding available, including intensive lobbying from some authorities over perceived extra costs in rural areas.
9. For planning purposes, the budget figures for 2022/23 and 2023/24 assume additional real-terms cuts of £5 million per year each year. This represents a significantly slower rate of cuts than we have seen in the period from 2013 to

2020. If the fair funding review and overall funding position are less favourable, these cuts could be significantly higher.

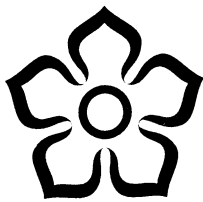
10. A longer or more severe economic downturn will also pose a risk to income projections. This could result in new cuts to grant; falling business rate income; and increased cost of council tax reductions for taxpayers on low incomes.
11. The assumed additional funding for social care (increasing by £9m per year from 2022/23) is also very uncertain. While the government has long acknowledged the need for further support to the social care sector, no detailed proposals have been published. (In practice, further support may come via a combination of direct grant, the ability to raise council tax further, and other mechanisms, but is shown here as grant for clarity).

Summary of medium-term projections

12. The projections above show a significant – and increasing – funding gap over the next three years. There are substantial risks to these projections, which are based on an assumption of a relatively quick economic recovery and limited additional cuts imposed by government. Even on the more optimistic projections, available reserves (forecast to be around £22 million by March 2022) will no longer be able to meet this gap beyond 2021/22, and additional deep cuts will be required by 2023/24.
13. This emphasises the need to make a prompt start on the financial review required prior to 2022/23.

Comments from Partners

1. Three responses to the consultation have been received, and are summarised below. The full responses are available from the report authors. Comments from scrutiny committees will be circulated with your agenda.
2. The **Reaching People Consortium** provided a detailed response, and
 - (a) Stress the value of the VCS sector to the local economy, and the ability of the VCS to get additional funding;
 - (b) Want us to ensure all our suppliers pay the real living wage;
 - (c) Want to understand how we can “invest to save” our reserves, e.g. to invest in the VCS sector to bring in additional funding, or to invest in technology in adult care;
 - (d) Want us to consider the role of the voluntary sector in future service provision in Adult Social Care;
 - (e) Note our plans to cut the value of the 0-19 Children’s Services contract in Public Health, at a time when there will be greater need following Covid-19;
 - (f) Urge more investment in Public Health preventative services;
 - (g) Would welcome further discussion about the best ways to use voluntary sector infrastructure funding in the future.
3. The **Race Equality Council**:
 - (a) Want us to invest in services now, rather than wait until next year, using reserves if necessary;
 - (b) Do not support the council tax increase;
 - (c) Ask for a targeted programme of investment to assist racial minorities and businesses to recover from the impact of Covid-19, including a hardship fund;
 - (d) Want us to tackle the root causes of race and health inequalities;
 - (e) Do not support cuts to Children’s 0-19 Services;
 - (f) Want more discretionary business support for those businesses and organisations who have missed out on the standard government grants;
 - (g) Want us to address digital exclusion of young people, e.g. by access to laptops;
 - (h) Want us to provide more emergency accommodation, looking ahead to possible evictions after the national ban is lifted;
 - (i) Want us to fund outreach campaigns to address health equalities in racial minority communities and concerns about vaccines;
 - (j) Seek additional support for the voluntary sector.
4. A member of one of the teaching trade unions highlighted the potential impact of the council tax rise on women, and particularly lone parents.



Leicester
City Council

Item 4.a.i

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 4 FEBRUARY 2021 at 4:00 pm

P R E S E N T:

Councillor Cassidy (Chair)
Councillor Joel (Vice-Chair)

Councillor Gee (sub for Councillor Halford)	Councillor Joshi
Councillor Kitterick	Councillor Porter
Councillor Waddington	Councillor Westley

In Attendance:

Sir Peter Soulsby	City Mayor
Councillor Clarke	Deputy City Mayor, Environment and Transportation
Councillor Cutkelvin	Assistant City Mayor, Education and Housing
Councillor Dempster	Assistant City Mayor, Health
Councillor Hunter	Assistant City Mayor, Tackling Racism and Disadvantage
Councillor Master	Assistant City Mayor, Neighbourhood Services
Councillor Myers	Assistant City Mayor, Jobs, Skills, Policy Delivery and Communications
Councillor Patel	Assistant City Mayor, Communities, Equalities and Special Projects
Councillor Singh Clair	Deputy City Mayor, Culture, Leisure, Sport and Regulatory Services

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137. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Halford. Councillor Gee was present as the appointed substitute for Councillor Halford.

The Committee noted that Councillor Thalukdar was present as a substitute Member.

138. DECLARATIONS OF INTEREST

Councillor Joshi declared an Other Disclosable Interest in the general business and budget items of the meeting in that his wife worked in the Reablement Team at the Council.

Councillor Westley declared an Other Disclosable Interest in agenda item Appendix D Draft Housing Revenue Account Budget (Including Capital Programme) 2021/22, in that some members of his family were Council tenants.

In accordance with the Council's Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillors' judgement of the public interest. They were not, therefore, required to withdraw from the meeting.

148. DRAFT GENERAL FUND REVENUE BUDGET 2021/22

The Director of Finance submitted the draft General Fund Revenue budget 2021/22, which would be considered at the meeting of Council on 17 February 2021. The draft had been published in December 2020 and received by all scrutiny commissions. The Overview Select Committee was 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.

The Director informed the meeting the budget was proposed at a time of extreme uncertainty following 10 years of severe spending cuts and during which time the authority had lost over £100 million of government funding per year. She added it was not yet known the full extent of the spending which would result from pandemic restrictions or the impact of a subsequent economic downturn, and services may need to be shaped to meet the needs of the a new environment which will be faced with the pandemic was over.

When the report was produced it was on the basis of the draft finance settlement, with information on the grant for 2021/22. The final settlement was published on the afternoon of 4 February 2021 and did not amend any figures in the report.

The 12-month stop-gap budget had been recommended to the Executive, when finances would be reviewed when there was more certainty, and in line with the approach there had been minimal changes to the budget.

It was noted extra monies had had to be provided, in particular to social care which had received a further £10million. The government provided a social care grant of £3million, and the opportunity to increase Council Tax by 3% (£3.6million) was welcome but still left £3million short in terms of the cost of growth.

The budget was balanced with the use of £20million reserves. It was noted the authority was fortunate to have reserves which reflected the difficult decisions that had been taken in the past, as many local authorities were now financially unsustainable moving forward.

The Director predicted future years remained harder than ever as it was not known what the government intended to do with the spending review, the impact on business rates and the impact on city centres and downturn in the economy. It was stated an estimate of a funding shortfall in 2021/22 of around £40million could be expected, and that every year reserves would decline.

The City Mayor said it was a difficult budget following a disruptive year, and also the uncertain future. He added the Council's finances were comparatively stable to compared other local authorities due to the difficult decisions Members had had to take and the sound advice given to them from the Director of Finance and colleagues.

The City Mayor stated he had listened very carefully to what has been said by consultees and scrutiny commissions, and would formalise by way of the proposal to be put to Council the intention to recognise the role of scrutiny commissions. In particular the present role of the public health officers who had been stretched to considerable extent, and he believed it was necessary to put some additional resources behind that with a recommendation to Council to add initially a further £200k to that budget to enable them to make some changes to strengthen their team.

The City Mayor was also aware, as Scrutiny Commissions had also pointed out, the increasing needs of the most vulnerable in the community. He intended to top up the Discretionary Council Tax hardship fund in light of exceptional economic difficulties that people were facing, by £500k in the first instance.

The City Mayor also intended to recognise the continued call on the crisis support payments made with an extra £300k in the budget. The City Mayor also noted the likelihood that the Discretionary Housing Payments fund would come under pressure, and it was intended to top up the fund by £900k to provide for those in desperate hardship. The City Mayor noted the initial additions would be kept under review to see if further funds would be required.

He further noted the revenue budgets remain pressurised and by putting additional funds into those service put additional strain on the authority's ability to cope with the scenario ahead and greater austerity from the government, but it was impossible to recognise the needs both of public health and those in most distress as a result of the pandemic.

The City Mayor asked the Overview Select Committee to note the commitment made and hoped that the Committee support the revenue budget being taken to Council. It was added that the growth in social care costs had increased year on year and there was a need to seek ways of managing demand.

in response to Members questions the following was noted:

- The potential impact of a 5% council tax rise had been raised in Economic Development Transport and Tourism Scrutiny Commission who asked for consideration of the budget around hardship grants for those suffering to have some form of mitigation, and Members were pleased the City Mayor had provided figures of increased budgets in those areas. It was asked if the council tax letter when sent could include information on the opportunity to apply for various hardship grants or council tax/ housing support. The Director of Finance informed Members that information was included with council tax bills.
- It was raised that the increase in Council Tax would make it unbearable for some people who were under pressure. It was stated that one of the main drivers for having to increase Council Tax was the increased costs of social care. The City Mayor added that the sums of money raised by the supplements made to Council Tax did little to contribute to increasing costs in those areas over the past 10 years. It was further added that Council Tax was going up in Council's across the country of all political control as a result of funding cuts made by government in the name of austerity.
- It is not possible to break down a households council tax bill to show what their money is spent on penny by penny, but it was noted two-thirds of the Council's budget was spend on social care; vulnerable children and vulnerable adults. The Director of Finance agreed that the long-deferred review of social care funding was absolutely essential to all councils for future sustainability.
- It was suggested the continuing spiralling in costs in adult social care was unsustainable and was there more fundamental work that could be done. The City Mayor agreed with the need to look at social care costs as being paramount, especially at a time when other services were being squeezed.
- Members welcomed the decision on the 0-19 commissioning withdrawal of the budget reduction at this time.
- A note of concern was expressed regarding the sexual health and contraception services as an area for budget reductions. It was appreciated that Covid-19 had changed lots of behaviours, including sexual behaviours, however, it was stated the consequences of poor sexual health or lack of access to contraception could have lifetime consequences.

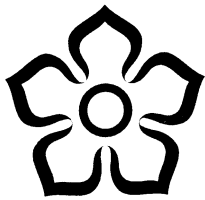
The Chair noted the report and comments made in Scrutiny Commissions and by Members of Overview Select Committee. It was noted that Members were very pleased that the Council's finances were managed responsibly and prudently by its finance officers, and hoped the government recognised that Leicester City Council were in a better position than neighbouring councils. The Chair thanked Director of Finance and colleagues for their hard work.

AGREED:

That:

1. The report and comments from Members of the Overview Select Committee be noted, and pass to the meeting of Council on 17 February 2021.

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2. The Director of Finance review information regarding opportunities to apply for hardship grants on Council Tax Bills and the Council's website.



Leicester
City Council

Item 4.a.ii

DRAFT MINUTE EXTRACT

Minutes of the Meeting of the
ADULT SOCIAL CARE SCRUTINY COMMISSION

Held: TUESDAY, 19 JANUARY 2021 at 5:30 pm

P R E S E N T:

Councillor Joshi (Chair)
Councillor March (Vice Chair)

Councillor Batool
Councillor Kaur Saini

Councillor Kitterick
Councillor Thalukdar

* * * * *

86. APOLOGIES FOR ABSENCE

There were no apologies for absence.

The Chair welcomed everyone to the meeting, and reminded everyone it was a virtual meeting, as permitted under Section 78 of the Coronavirus Act 2020 to enable meetings to take place whilst observing social distancing measures. The procedure for the meeting was outlined to those present. At the invitation of the Chair, all Members and officers present at the meeting introduced themselves.

87. DECLARATIONS OF INTEREST

Councillor Joshi declared an Other Disclosable Interest in that his wife worked for the Reablement Team at Leicester City Council.

88. MINUTES OF THE PREVIOUS MEETING

AGREED:

That the minutes of the Adult Social Care Scrutiny Commission Meeting held on 10 November 2020 be confirmed as a correct record.

89. PETITIONS

The Monitoring Officer reported that none were received.

90. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer reported that that none were received.

92. DRAFT GENERAL FUND BUDGET AND DRAFT CAPITAL BUDGET 2021/21

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2021/22. The Commission was recommended to consider and comment on the Adult Social Care element of the budget. The Commission's comments would be forwarded to the Overview Select Committee as part of its consideration of the report before presentation to the meeting of Council in February 2021.

Martin Judson the Head of Finance presented the report to the Commission and noted that the draft budget was a stop gap one-year budget with minimal changes and that finances were to be reviewed again this year in the light of greater certainty over government funding and the impact of the pandemic.

It was noted that an additional £10 Million had been allocated to the adult social care budget, £3 Million of which was funded through central government funding and £3.6m would be raised from the social care precept on the Council Tax. The overall council budget has been balanced in 2021/22 by using £20 million from reserves.

As part of the discussions the Commission discussed extensively the areas of the budget for Adult Social Care. It was noted that the £5.5 Million Substance Misuse budget was now part of the Public Health budget. It was noted that the the cost of care packages were budgeted to increase by 9.3% annually as a result of increasing need together with fee increases of 2.3% which are determined mainly by the increase in national living wage rates in 2021/22

It was noted that the department were ensuring preventative services were commissioned and that there was investment in the reablement and enablement services.

Members of the Adult Social Care Scrutiny Commission raised their concerns over the increase in care package costs of £12.5 million. It was suggested that a detailed report be brought back to the Commission to allow for in depth scrutiny.

The Deputy City Mayor noted that the Adult Social Care cost increases were a national issue. The government have been promising to reform the funding for adult social care for a number of years and we are still waiting for the green paper.

Members of the Commission were concerned with the pressure on communities that a rise in Council Tax would have as a result of the social care precept. It was noted that there was a range of support available for those

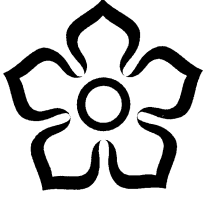
vulnerable families that would be impacted with the increase in Council Tax.

The Director of Adult Social Care noted that, the department undertake significant benchmarking of the spend and how it is distributed, closely and extensively with other cities. The Commission were reassured that necessary services would continue.

AGREED:

that:

1. The Commission note the report,
2. And that, a detailed report be brought back to the Adult Social Care Scrutiny Commission on the increasing cost of packages of £12.5 million.



Leicester

City Council

minutes of the Meeting of the

CHILDREN, YOUNG PEOPLE AND SCHOOLS SCRUTINY COMMISSION

Held: WEDNESDAY, 13 JANUARY 2021 at 4:00 pm

P R E S E N T:

Councillor Dawood (Chair)
Councillor Cole (Vice Chair)

Councillor Pantling
Councillor Rahman

Councillor Riyait
Councillor Whittle

In Attendance:

Councillor Cutkelvin, Assistant City Mayor - Education and Housing
Councillor Russell, Deputy City Mayor - Social Care and Anti-Poverty

Also Present:

Gerry Hurst - Roman Catholic Diocese
Janet McKenna - Unison
Joseph Wyglendacz - Teaching Unions Representative

* * * * *

98. APOLOGIES FOR ABSENCE

Apologies for absence were received from Co-opted Member of the Commission, Carolyn Lewis.

99. DECLARATIONS OF INTEREST

Councillor Cole declared an Other Disclosable Interest in the general business of the meeting that he had family members who worked within schools and a family member that worked within the Council.

In accordance with the Council's Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillor's judgement of the public interests. Councillor Cole was not therefore required to withdraw from the meeting during consideration and discussion of the agenda

items.

100. MINUTES OF THE PREVIOUS MEETING

AGREED:

that the minutes of the Children, Young People and Schools Scrutiny Commission meeting held on 30 November 2020 be confirmed as a correct record.

103. DRAFT GENERAL FUND BUDGET 2021/22

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2021/22.

The Strategic Director of Social Care & Education and the Head of Finance noted the following in relation to the budget in general and the Children, Young People and Schools aspect of the budget;

- This year the budget was a one year stop gap budget, as it was unclear as to the ongoing impact of; the pandemic, on spending and on the economic downturn.
- There had been minimal changes to the budget for 21/22 and no further information had been received from government regarding the budget beyond this period.
- The proposed budget was in many respects a roll forward of this year's-based budget, taking into account some areas of pressure that had arisen as a consequence of the current year.
- Details were provided on mainstream education and the vast majority of their budget which came through the dedicated schools grant. It was further explained regarding the amount of funding that the Council had for direct engagement in the schools area was noted to also be very limited but being maintained.

The presenting Officers further explained and responded to comments from Members of the Commission:

Placement Service

- It was noted that significant work was being done to address the substantial proportion of the budget which was allocated to placements for children who are looked after. For example, children in specialist placements noted to be quite expensive.
- In terms of placement costs, it was reported that there was sufficient head room in that budget to carry the service through to next year without additional growth. However, work was required to keep the costs under control.

Special Education Needs (SEN) service

- The majority of funding for Special Educational Needs (SEN) was drawn from the dedicated schools grant, however the bulk of the funding for the provision of transport to get Children and Young People to and from

school came from the Council's General Fund Budget.

- Following a recent review, the results showed that Leicester had a larger proportion of SEN service users who receive Council funded transport compared to other authorities.
- Of those who were supported, a larger proportion were transported by taxi rather than an inhouse bus network. In addition, the average route cost for those services was generally higher than in other authorities.
- This was an area where there was significant pressure on the budget and therefore substantial work was being carried out to;
 - better understand where the service was in terms of the transport budget,
 - ensure that the service was getting value for money for its existing contracts,
 - ensure that the demand for those services was balanced. i.e. travel training and supporting families to transport the children themselves.
- It was further noted that this budget was offset by some savings which the Council had put in around the new framework taxi contracts and savings through expanding personal budgets, however there was still a £2.2m increase in the SEN transport home to school budget.
- The service noted the importance of securing the best outcomes for young people and of supporting young people to have the greatest ability to travel independently, which was a vital life skill for when they became adults.
- In order to address the growing number of education health and care plans, there was an increase in the Special Education service team of £400k. This was especially required since, the team had not received an increase in capacity for a number of years, despite ongoing growth in demand, driven by legislation.

Connexions Service

- There was a planned Connexions Service review which was to take place this year however this had been paused due to the impact of the pandemic on the economy.
- Instead the fund was retained, and the service was being restructured to be more efficient.
- It was noted that, as a result of the pandemic, there had not yet been an increased demand in the Connexions service however, they now had better detail on what was happening with those existing service users who were not in education or employment.
- It was noted that there was likely to be some significant impact on youth and employment services in the next 12 months as a result of the pandemic.

Children Social Care and Early Help

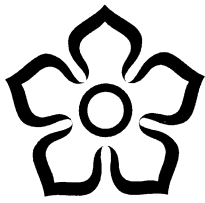
- The Children's Social Care and Early Help budget had been controlled very tightly this year and was reported to be in a steady state.
- There was also additional funding that had been put in which allowed the Children's Services budget to be at the level it needed to be

especially compared to other authorities.

- It was further confirmed that there had not been an overall increase in safeguarding demand for Social Care services during the course of the pandemic and details were provided on the support given to families during this time for instance the recent increase of domestic abuse incidents within households.
- Therefore, no significant increase or additional pressure was anticipated. The challenge would be to what extent the budget could be reduced going forward.

AGREED:

1. That the report be noted.
2. That the Commission welcomes the position taken to retain the connexions service.
3. That a report on the SEN transport budget be brought back to a future meeting of the Children, Young People and Schools Scrutiny Commission.



Leicester
City Council

Item 4.a.iv

MINUTE EXTRACT

Minutes of the Meeting of the
ECONOMIC DEVELOPMENT, TRANSPORT AND TOURISM SCRUTINY
COMMISSION

Held: THURSDAY, 14 JANUARY 2021 at 4:00 pm

P R E S E N T:

Councillor Waddington (Chair)
Councillor Sandhu (Vice Chair)

Councillor Broadwell
Councillor Fonseca

Councillor Valand

Councillor Porter
Councillor Rae Bhatia

* * * * *

108. WELCOME AND INTRODUCTIONS

The Chair welcomed everyone to the meeting, reminding everyone that this was a virtual meeting, as permitted under Section 78 of the Coronavirus Act 2020, to enable meetings to take place whilst observing social distancing measures.

At the invitation of the Chair, Members and officers present at the meeting then introduced themselves.

109. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Joel.

110. DECLARATIONS OF INTEREST

Councillor Broadwell declared a Disclosable Pecuniary Interest in relation to the general business of the meeting, in that she was a sole trader running a business building and refurbishing electric bikes.

119. DRAFT GENERAL FUND BUDGET 2021/22 AND DRAFT CAPITAL PROGRAMME 2021/22

The Director of Finance submitted the reports which set out the City Mayor's proposed Draft General Fund Budget 2021/22 and Draft Capital Programme 2021/22.

The Deputy Director of Finance introduced the Draft General Fund Budget report, explaining that this year's budget had been set in a time of extreme uncertainty. The pandemic had hit, after dealing with 10 years of severe funding cuts of over £100m government funding. At present, the full extent of spending which would result from the pandemic restrictions was not known and some services may need to be reshaped to best meet the need of the new environment when the pandemic was over.

The government had now published the draft finance settlement for local government. This however was published after the publication of Leicester's draft budget report and therefore the figures in the final report would be subject to some limited change.

It was explained that this year the budget was a one year stop gap budget, as it was unclear as to the ongoing impact of the pandemic, on spending and on the economic downturn. There had been minimal changes to the budget for 21/22 and no further information had been received from government regarding the budget beyond this period.

The Deputy Director of Finance noted that significant amount of funds still needed to be provided for Social Care which included £10m for adult social care and of this, the government only provided £3m. In order to contribute to this gap, the government proposed that the Council increase Council Tax by an additional 3% which would raise £3.6m but would still result in a shortfall of funds. Leicester City Council along with other councils, were still awaiting the social care funding review. Members' attention was drawn to the table on pg. 5 which set out how the draft budget was balanced with the use of £20m of reserves. However, the Council's ability to use reserves was declining. Substantial savings would need to be made to balance the budget in future years.

Comments received from Members of this Committee would then go to the Overview Select Committee and subsequently Full Council 17 February 2021.

Following comments from Members of the Commission, officers provided the following responses:

- Concerns that it was the wrong time to put pressure on people with an increase in Council Tax and as reported the adult social care precept would only raise £3.6m which would not be sufficient for the gap. It was queried also as to why the Council were investing in specific named projects.

Response from the City Mayor:

The difference between the Capital fund and the draft General Fund Budget 2021/22 was clarified. It was confirmed that the investment of some of the Council's capital resources had been used to enable the regeneration of the city and to ensure a continued revenue stream into the future which did have a positive impact into the Council's position with regard to their revenue budget.

The City Mayor noted that he would be happy to talk in detail about the specific project the Member of Commission was referring to, so as to demonstrate what a good proposal it was in terms of the regeneration of the city and also contribution to the revenue fund.

- Clarification was requested relating to the actual figures that the Council had faced as a result of loss/ cut in government funding?

Response from the Deputy Director of Finance:

It was confirmed that the losses had been very significant, but it was difficult to clarify the exact reduction in funding. The Deputy Director of Finance offered to circulate this information to the particular Member following the meeting.

- It was requested to clarify the budget for 2021/ 22, in relation to Economic Development on page 25 of the report?

Response from the Deputy Director of Finance:

It was noted that these were already approved savings as part of previous spending reviews in previous years budgets. In regard to page 25, the Officer clarified the figures were referring to additional income generation from the workspace units.

Response from the Director of Tourism, Leisure and Inward Investment:
The turnover of the economic regeneration service was noted to be quite significant, this reflected that the service had been particularly effective both at generating income from the commercial workspace portfolio and external grants. Hence, the net cost to the Council was noted as relatively small.

- There would be savings from the conservation team of £25k, how?

Response from the Director of Planning, Development and Transportation:

The Council previously had one conservation officer, which increased to two for the purpose of specific projects. One of the posts had now been reduced to part time (at the employee's request) and the £25k was noted as the savings from this job role.

- Comprehensive financial review, how proposing to go about that?

Response from the Deputy Director of Finance:

The Director of Finance would lead on this and would look at projections put forward by the government with regards to future funding, the ongoing implications of the pandemic, and the position of the Council's reserves.

- The budget proposed a 5% increase in Council Tax and noted the groups who would be significantly impacted by this. Is the Council Tax support

scheme robust to meet the increased needs which may come about?

Response from the City Mayor:

The importance of committing to put adequate funds to one side to provide for those in the most need of relief was noted.

Response from the Deputy Director of Finance:

There had seen an increase in demand for Council Tax support this year as a result of the pandemic. There was also a lot of demand for the various Covid-19 support schemes which became available. Since the budget report was published, the government would be making additional funding available to councils.

AGREED:

1. That the report be noted.
2. That the comments made by the Commission be noted.
3. That the Executive be requested to reflect in the final budget report the relief schemes that may be necessary as a result of the Council Tax increase.
4. That the Finance Officers be thanked for preparation of the report.

DRAFT CAPITAL PROGRAMME 2021/22

The Deputy Director of Finance introduced the draft Capital Programme report explaining that the future position remained uncertain both nationally and with the Council's own finances and therefore a one-year skeleton capital programme had been proposed. Much of the spending which took place in the next financial year would be a catch up of the current year's programme.

The proposed Capital Programme 21/22 was in the order of £20m and separately around £58m of works on Council housing and affordable properties which was set out in the Housing Revenue Account Report.

Details of the Capital Fund projects were summarised in the report and the schemes had been noted in different categories throughout the report based on the type of scheme and whether further approvals were required before the commencing of the scheme and where the capital resources to fund the schemes were also included. The Capital Strategy was included as an appendix.

- In regards to spending capital towards housing, it was stated that at a previous meeting it was reported that the government had set out a strategy which meant that the Council was unable to provide houses built to the highest environmental standards due to the costs of building exceeding the rent that the Council receives. Clarification was requested as to why are we not able to build houses to these environmental standards in Leicester?

Response from the City Mayor:

We are seeking to ensure that in the building of properties that we meet

high environmental standards. There were currently a number of discussions as to what were the highest environmental standards. The City Mayor would be happy to report on this matter to the Housing Scrutiny Commission to ensure funds were spent efficiently and properties built with awareness to help tackle climate emergency.

- The Council previously had a proposal to allocate £7m to purchase ex local authority housing, how has this progressed?

Response from the City Mayor:

It was reiterated as to the difference between the two funds and noted that when investments are used wisely it can produce regeneration of the city and produce income which did support the revenue budget.

There was a commitment to increase the availability of Council owned homes and to meet the growing need for people to have decent affordable homes managed by a responsible landlord. As part of this, the Council would be purchasing some already existing properties but also investing substantially in the construction of new properties.

- With reference to two policy provisions identified as part of this programme, £0.5m to assist with Black Lives Matter, what was envisaged?

Response from the City Mayor:

It was noted that the Council wanted to put significant resources into the commitment that was shared to ensure all that could be done to progress the Black Lives Matter agenda in Leicester. That £0.5m would most like go towards enabling an upgrade to the African Caribbean Centre which would allow for it to be even more effective. In order to do this, discussions would take place with the African and Caribbean community to determine what would be the most useful improvements.

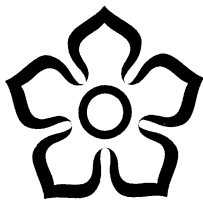
- Commercial activity, any plans for using this policy to acquire properties?

Response from the City Mayor:

The City Mayor was determined that the Council should on an annual basis, produce a report in relation to the Council's corporate estate fund as was previously done. It was anticipated that this report would be brought forward in the next few months with a return to this being an annual report to Council.

AGREED:

1. To bring back a future report to the Housing Scrutiny Commission on how the Council was tackling climate emergency when building houses.



Leicester
City Council

Item 4.a.v

Minute Extract

Minutes of the Meeting of the
HERITAGE, CULTURE, LEISURE AND SPORT SCRUTINY COMMISSION

Held: MONDAY, 25 JANUARY 2021 at 4:00 pm as a Zoom meeting

P R E S E N T :

Councillor Halford (Chair)
Councillor Gee (Vice Chair)

Councillor Dr Barton

Councillor Dr Moore

Councillor Nangreave

* * * * *

111. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Cole and Councillor Shelton.

112. DECLARATIONS OF INTEREST

Councillor Moore declared an interest in that her son was employed by the Library Service.

In accordance with the Council's Code of Conduct, this interest was not considered so significant that it was likely to prejudice the Councillor's judgment of the public interest and Councillor Moore was not therefore required to withdraw from the meeting.

122. DRAFT GENERAL FUND BUDGET 2021/22 AND DRAFT CAPITAL PROGRAMME 2021/22

The Director of Finance submitted a report setting out the City Mayor's proposed Draft General Fund Budget for 2021/22 and Draft Capital Programme 2021/22.

The Deputy Director of Finance presented the report on the Draft General Fund Budget and outlined the following:

- The budget presented was a one-year stop-gap budget due to the uncertainty created by the Covid 19 pandemic. A more thorough financial assessment would take place when there was more clarity.

- Significant additional funding would be required for Social Care. The Government expected the Council to raise Council Tax by an additional 3% to contribute to the extra costs.
- The budget was balanced, with £20m in reserves. However substantial savings would be required to balance future years budgets.
- The Local Government Finance Settlement would create some minor changes.

The Deputy Director of Finance also presented the report on the Draft Capital Programme and outlined the following:

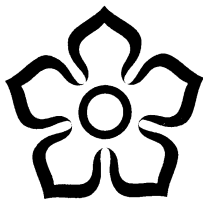
- Like the General Fund Budget, a one-year skeleton Programme was proposed.
- Many of the current schemes delayed by the pandemic would have to continue into the next financial year.
- Schemes covered in existing Capital Programmes were not covered by the new Programme,
- Proposed new schemes which were of note to the Commission included:
 - a. Conservation of Buildings Grants
 - b. Festive Decorations
 - c. Improvements and maintenance of De Montfort Hall
 - d. A further round of Heritage Interpretation Panels

Members of the Commission discussed the reports which included the following points:

- There were concerns that the public might not understand why Council Tax was being raised, and the reasons for that needed to be made clear.
- It was suggested that the budget impacts of the pandemic could be added to the Tourism Action Plan.
- It was hoped that a more long-range budget could be presented to the Commission early in 2022.
- There would clearly be a continuing loss of income for Sports Services in the next financial year due to the pandemic. The income shortfall would be managed corporately and some of the losses would be claimed back from the Government's Fees and Charges Income Support Scheme, which was set to continue through the first quarter of the new financial year.
- A corporate contingency budget of £10m was in place for one-off costs and income losses associated with the pandemic.
- A decision would need to be taken about whether certain facilities should re-open once Covid 19 measures were eased.
- A plan was being looked at in terms of tourism for the summer months, with particular focus on encouraging staycations.
- The Council's contribution to the Leicester, Leicestershire and Rutland Record Office had increased, following a review of costs and cost-sharing.

AGREED:

1. The Overview and Select Committee be advised that the commission:
 - a. Regretted the necessary rise in Council Tax and wanted the reasons for it to be made clear to the public.
 - b. Requested that the Executive recognise the particularly severe impact of the pandemic on Sports Services, and that the negative impact of that upon the health and wellbeing of the people of Leicester.
 - c. Requested that the Executive set out details of corporate support available in the budget for Sports Services.
 - d. Requested a commitment of financial support for recovery for Sports Services.
2. That the Draft Capital Programme 2021/22 be noted.



Leicester
City Council

Item 4.a.vi

MINUTE EXTRACT

Minutes of the Meeting of the HEALTH AND WELLBEING SCRUTINY COMMISSION

Held: WEDNESDAY, 20 JANUARY 2021 at 5:30 pm

P R E S E N T:

Councillor Kitterick (Chair)
Councillor Fonseca (Vice-Chair)

Councillor Aldred Councillor Chamund
Councillor March Councillor Sangster
Councillor Westley

In Attendance:

Councillor Dempster, Assistant City Mayor - Health

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1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. QUESTIONS, REPRESENTATIONS, STATEMENTS OF CASE

There were no Questions, Representations, or |Statements of Case.

4. DRAFT REVENUE BUDGET 2021-22

The Chair referred to the Director of Finance's report, which considered the City Mayor's proposed budget for 2021/22 and medium-term projections up to 2024. The Commission was asked to make comment on the public health items relating to its portfolio.

The Assistant City Mayor (Health) commented on key issues within the report, relating to the continued commitment to fund 0-19 services, although this had been put on hold due to recent Covid-19 implications and restrictions. It was expected that consultation would be enhanced to allow the contract concerned to be extended. The further ongoing commitments to mental health services and physical health services would also receive further investment which was welcomed.

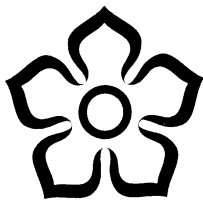
In response to questions put by Commission members, it was confirmed that the budget for substance misuse was included in the Adults Services line in the budget. In terms of the public health grant it was reported that not all of the expenditure related to the grant is included in the Health and Wellbeing budget line with some expenditure included in other budget lines. The Chair asked for confirmation that the grant was being treated in line with other external grants and this was confirmed to be the case.

In respect of the support to contraception and sexual health services a reduction in capacity including services offered by General Practitioners had caused a potential for longer-term concern following Covid-19. It was reported that other services had also experienced capacity issues exacerbated by Covid-19 and the situation was being monitored.

In conclusion the Chair referred to the poor quality of food offered in vending machine and food services at the Council's Leisure Centres, commenting that the current arrangements were not suitable.

It was AGREED to:

- 1) Welcome the commitment to the 0-19 service and to welcome the continued funding, with a monitoring report to be submitted at the appropriate time.
- 2) Note that the capacity of the contraception and sexual health services and other services affected by Covid-19 continue to be monitored and a report be submitted in due course, following Covid-19.
- 3) Undertake a review of contracts for vending machines and other food services at the Council's Leisure Centres.



Leicester
City Council

Item 4.a.vii

Minutes of the Meeting of the
NEIGHBOURHOOD SERVICES SCRUTINY COMMISSION

Held: THURSDAY, 28 JANUARY 2021 at 5:30 pm

P R E S E N T:

Councillor Thalukdar (Chair)

Councillor Ali
Councillor Joshi

Councillor Govind
Councillor Solanki

Also Present:

Assistant City Mayor Councillor Master
Deputy City Mayor Councillor Russell

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76. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Aqbany.

77. DECLARATIONS OF INTEREST

There were no Declarations of interest.

78. MINUTES OF THE PREVIOUS MEETING

AGREED:

That the minutes of the meeting of the Neighbourhood Services Scrutiny Commission 26 November 2020 be confirmed as a correct record.

79. PETITIONS

The monitoring Officer reported that no petitions had been received.

80. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer reported that no questions, representations or statements of case had been received.

82. COUNCIL DRAFT ANNUAL BUDGET REPORTS - REVENUE AND CAPITAL 2021/2022

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2021/22. The Commission was recommended to consider and comment on the Neighbourhood Services element of the budget. The Commission's comments would be forwarded to the Overview Select Committee as part of its consideration of the report before presentation to the meeting of Council in February 2021.

The Director of Finance presented the report which set out the draft budget proposed at a time of extreme uncertainty. It was noted that over the last 10 years the general fund budget had seen a reduction of £100million per annum and future impacts were unknown.

It was noted that the draft budget is a one-year stop gap budget having minimal changes. The Adult Social Care budget has £10million growth recognising the increasing cost of and demands for adult social care, only £3million of which would come as funding through central government. Government is allowing Councils to increase their Council Tax by an additional 3% to provide further social care funding, although this does not meet the full cost in Leicester and places the funding burden on to local taxpayers.

It was noted that the Council are in a position to further support the budget with £20million from reserves. This was something that many other Councils are not in the position to do.

The Director of Neighbourhoods and Environmental Services noted that the £32million Neighbourhood Services budget is well managed and had been procurement savings of £60,000 however, the department is facing budget pressures on waste management. This is a result of increasing landfill charges and a rise in annual waste collected for landfill. Members of the Commission suggested that the Commission be updated on any departmental spending reviews being considered and that these be brought to an appropriate future scrutiny meeting.

During the discussions Members of the Committee shared their concerns with the rise in Council Tax and the pressures this would add to vulnerable families across the city. It was noted that Council tax increased annually by the maximum 2% and the Adult Social Care precept allowed Councils to increase Council Tax by an additional 3%.

It was noted that there were schemes set up to support those individuals across the city who may struggle with Council Tax: The Council Tax Support Scheme, supported up to 80% of Council Tax and the Council Tax Discretionary Relief Scheme supported those with short term hardships with a relief fund. Members of the Commission suggested that the Council should

ensure there is effective communication with residents and residents were assisted before enforcement action was taken and that data on families receiving support as a result of the increase in Council Tax be brought to a future Commission meeting.

Members of the Commission suggested that due to the circumstances a larger number of people were using the services provided online and that it would be helpful to those people if the services were easily accessible online. It was noted that services were already migrating online before the pandemic and during the pandemic there was a significant growth in online contact. It would be very helpful if Officers could directly include Commission Members to help support the online improvements and act as a critical friend.

AGREED:

- 1) That the Commission note the report,
- 2) That the Commissions comments be passed to the Overview Select Committee,
- 3) And that, the Director of Finance be requested to provide data on the impact on families as a result of the increases to Council Tax to a future meeting.

Item 4.b

4. b Capital Programme 2021/22

The Council is asked to:-

- (a) Consider the comments of the City Mayor's Recommendations for the Capital Programme 2021/22 to be published prior to the Budget Meeting and will be attached to the Council Script;
- (b) Consider the views of the Overview Select Committee meeting held on 4 February 2021 and attached at Appendix 4.b;

The Council is recommended to:-

- (a) Approve the capital programme described in this report and summarised at Appendices Two to Four, 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 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 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 programme provision, subject to a maximum 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):-
- 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 projects (in effect, implementing decisions of the LLEP);
 - 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 projects, if permissible, to ensure the programme as a whole can be delivered; and
 - Note that City Council contributions to projects will follow the normal rules described above (i.e. nothing in this paragraph (f) 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 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 5.

Capital Programme 2021/22

Decision to be taken by: Council

Date of meeting: 17th February 2021

Lead director: Alison Greenhill, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
- Author contact details: amy.oliver@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 2021/22.
- 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 Traditionally, the Council has prepared a multi-year capital programme but for 2020/21 we set a one year programme due to the uncertainty over future resources. Due to the COVID-19 pandemic we are continuing to see uncertainty over future resources as well as significant slippage on our current programme. The uncertainty over future resources is detailed in the General Fund Budget Report 2021/22 (also on the agenda). We are therefore presenting another one year programme, which is essentially a skeleton programme. Schemes already approved and in the current programme for 2020/21 will continue to form part of the programme: in practice, much of our capital spending in 2021/22 will be catching up work we were unable to do because of COVID-19 restrictions.
- 1.4 The proposed programme set out in this report for the "General Fund" element of the capital programme will cost £20m. In addition to this, the HRA capital programme (which is elsewhere on the agenda) includes works estimated at £88m, £40m of which relates to the affordable homes programme.
- 1.5 The table below summarises the proposed spending for capital projects starting in 2021/22, as described in this report:-

	<u>£m</u>
<u>Proposed Programme</u>	
People & Neighbourhoods	4.4
Highways, Transport & Infrastructure	5.2
Tourism & Culture	1.7
Corporate	7.3
Policy Provisions	1.0
Total New Schemes	19.6

Funding

Monies ringfenced to Schemes	4.7
Unringfenced Resources	14.9
Total Resources	19.6

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

	<u>£m</u>
General Fund	19.6
Housing Revenue Account	47.8
Total	<u>67.4</u>

1.7 In addition to the above, the current programme is still being delivered and therefore a number of significant schemes will be carried forward into future years.

1.8 The Council's total capital expenditure now forecast for 2021/22 and beyond is expected to be over £200m, including the HRA.

1.9 The Council continues to bid for significant sums from government initiatives and has been extremely successful during 2020/21. Examples include:

- Receiving £33m from the Transforming Cities Fund to expand our Connecting Leicester scheme that is working to achieve bus, walking and cycling improvements.
- £5.8m added to our highways maintenance programme upon receiving a number of additional grants.

1.10 The capital programme is split into two parts:-

- (a) **"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) **"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.

1.11 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 will 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 Four, 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 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 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 programme provision, subject to a maximum 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):-
- 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 projects (in effect,

- implementing decisions of the LLEP);
 - 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 projects, if permissible, to ensure the programme as a whole can be delivered; and
 - Note that City Council contributions to projects will follow the normal rules described above (i.e. nothing in this paragraph (f) 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 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 5.

3. Background and options with supporting evidence

Key Policy Issues

- 3.1 In preparing the 2021/22 capital programme, we have focused on catching up on delays in the current programme, and have restricted the new programme to urgent works and annual programmes.
- 3.2 The resulting capital programme is primarily focussed around some key priorities of the Council. The themes are:
 - People & Neighbourhoods
 - Highways, Transport & Infrastructure
 - Tourism & Culture
- 3.3 The capital programme for 2021/21 is a one year programme because of the continued uncertainty around our budgets, and the fact that significant effort will be required to catch up unavoidable slippage in the 2020/21 programme. Nonetheless, it complements the existing programme and explicitly aims to support the City Mayor's delivery plan.
- 3.4 It is important to note that the council's commitment to tackling the climate emergency is most obviously but not exclusively addressed within the transport capital programme. This is part of the Connecting Leicester Programme.
- 3.5 However, addressing the energy and bio diversity requirements of all our capital projects is central to the entire capital programme. Recent years' capital projects have included energy saving and generating elements across the corporate estate, as well as a raft of energy efficiency measures in our schools and on our housing estates. The Council is currently working to obtain further government grant funding to expand such schemes. The programme also includes £0.5m to support a tree programme.

3.6 Similarly, our commitment to invest in the whole city cuts right across our capital programme. The housing, neighbourhoods and transport capital investment programmes represent the largest components of this and likely future capital programmes. These capital investment strands will benefit the entire city from our outer estates to the city centre.

Resources

3.7 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.

3.8 Appendix One presents the unringfenced resources available to fund the proposed programme, which total some £15m. The key funding sources are detailed below.

- (a) £5.8m of general capital receipts and £0.7m of Right to Buy Receipts;
- (b) £8.3m of unringfenced grant funding;
- (c) £1.9m from a review of policy provisions in the 2021/22 programme.

3.9 The Council has a policy of not committing capital receipts until they are received. This increases the resilience of the capital programme at a time when revenue budgets continue to be under pressure. Since setting the 20/21 capital programme, decisions have been taken to spend £1.7m of receipts received subsequently. £5.8m is now available for 21/22 based on receipts received or due at the time of writing. Subsequent receipts will be available to fund the 2022/23 programme.

3.10 The exception to not committing receipts in advance is the expected receipts from the sale of council housing. Where tenants exercise their "Right to Buy" the RTB receipts are layered, with different layers being available for different purposes. A sum of £0.7m will be available for general purposes: this is predictable. Further tranches are available to us but must be used for new affordable housing or returned to the government.

3.11 During the year the Council has reviewed the current policy provisions. As part of this, £1.9m of have been identified as no long being required from the Commercial Property Acquisitions policy provision. This will be released as part of this report to fund the 21/22 programme.

3.12 In addition, £1.8m has been ringfenced for potential additional costs on current schemes associated with the COVID-19 pandemic. Separate decisions will be required to add any of the £1.8m to the capital programme on individual schemes.

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

- (a) Disabled Facilities Grant – an estimated £1.5m will be received from the

Government for the year to support the making of grants to householders in the private sector requiring disabled adaptations;

- (b) Borrowing. Because borrowing has an impact on the revenue budget, it is only used for reasons detailed in Capital Strategy at Appendix 5 of this report.

3.14 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.

3.15 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 – Immediate Starts

3.16 Schemes classified as immediate starts can commence as soon as required, once the Council has approved the capital programme. No further approval is necessary. The whole programme is summarised at Appendix 2. Almost all of this year's programme consists of immediate starts. Responsibility for the majority of projects rests with the Strategic Director of City Development and Neighbourhoods. The exception is the Foster Carer Capital Contribution, which is the responsibility of the Director of Adults' and Children's Services.

3.17 £4.4m is provided for People & Neighbourhoods. This area is focused around improving the neighbourhoods of the city but also improving the lives of the city's residents.

- (a) £1.8m has been provided to continue with the **Children's Capital Improvements** Programme within our schools. The programme will include routine maintenance in our schools, such as boiler and window replacements, playground improvements and maintenance of rooves.
- (b) One of main schemes within this area will be **Disabled Facilities Grants** to private sector householders, with £1.5m available to support the scheme in 2021/22. 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. This cost will be fully funded by the government in 2021/22 with no local contribution.
- (c) £400,000 has been provided for **Local Environmental Works** in our wards. This scheme will focus on local neighbourhood issues relating to residential parking, local safety concerns, pedestrian routes, cycle ways and community lighting and will be spent after ward member consultation.
- (d) £250,000 has been provided for a **Foster Carer Capital Contribution**

Scheme, continuing last year's scheme. Money has been provided to invest in the homes of foster carers of looked after children, to ensure that foster care is an option in as many cases as possible.

- (e) £200,000 is provided in 2021/22 to continue the programme of **Repayable Home Repair Loans**. These grants aid vulnerable, low income home owners to carry out repairs or improvements to their homes, to bring properties up to decent home standards. Any loan will remain in place until a change of ownership or sale of the property, after which repayment of the loan is required.
- (f) £50,000 continues to be made available to top up **the Long Term Empty Home Acquisitions** pot in 2021/22. The Empty Homes Team gives advice and assistance to owners, helping them bring homes back into occupation. As a last resort, when all avenues have been exhausted, we have to use compulsory purchase. £50,000 covers the incidental costs associated with acquisition where CPO or negotiated purchase is required, where such costs cannot be recouped from the sale proceeds.
- (g) £50,000 is set aside for **Conservation Building Grants**. These grants are provided to city residents and organisations to repair historic buildings or reinstate original historic features that have been lost, and are applied for. The funding seeks to acknowledge the additional cost of owning an historic building.
- (h) £50,000 is included as part of the continued rolling programme to replace **Festive Decorations**.

3.18 £5.2m is provided to support Highways, Transport & Infrastructure capital works within the city. The capital works in this area are work programmes and regularly feature in our capital programmes.

- (a) £2.6m is provided in 2021/22 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: sites are planned to include Narborough Road, Redhill Circle/Loughborough Road and Halifax Drive.
 - 20mph programme: continuation of the rolling programme to reduce the speed of vehicles. Traffic calming sites are planned to include Braunstone Community School, Calver Hey Road and Gilmorton Estate.
 - Delivery of the Local Transport Plan
- (b) £2.1m 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) £300,000 is provided to continue the **Flood Strategy, Flood Defence and Watercourse Improvements Programme** into 2021/22. 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.
- (d) **Front Wall Enveloping:** £200,000 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.

3.19 £1.7m has been made available to support Tourism & Culture in the city. The main area of focus is De Montfort Hall.

- (a) £1.4m has been set aside for **De Montfort Hall** for various improvements which include the replacement of stage equipment, refurbishment of toilets and replacement of seating. This project has a forecast completion date of October 2021.
- (b) Following the success of the first scheme, £270,000 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.

3.20 £7.3m has been made available to fund three general corporate budgets.

- (a) £3.1m has been made available to fund the annual **Fleet Replacement Programme** as part of a rolling programme. This programme is funded from borrowing, which is repaid from existing budgets.
- (b) £1.7m has been provided to support the annual **Operational Estate Capital Maintenance Programme**. This will support works to the properties the Council uses. This programme includes items such as roof repairs, replacement of the hearing loops in the Attenborough Hall and heating/ventilation improvements.
- (c) £1.4m is available to fund the **Capital Projects Team and Other Staff Costs**, which will support the delivery of the construction projects in the capital programme.
- (d) £1.1m has been provided to support works to **Phoenix and Sovereign House**. These works are to enable the Council to further optimise its operational estate as it transforms the way staff work in the future. This 'spend to save' approach is common across the public sector as it becomes more agile and has a lesser reliance on physical space. It supports the Council's strategy of ceasing the occupancy of leasehold property and provides the opportunity to market properties for an immediate rental return or to better utilise them for the Council's own purposes. Works to these two properties includes window replacements, internal refurbishments, and

mechanical, heating and ventilation upgrades.

Proposed Programme – Policy Provisions

- 3.21 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.
- 3.22 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.
- 3.23 Two policy provision have been identified as part of this programme:
(a) £0.5m to assist with Black Lives Matter;
(b) £0.5m for a tree replacement programme.

Capital Strategy

- 3.24 Local authorities are required to prepare a capital strategy each year, which sets out our approach for capital expenditure and financing at high level.
- 3.25 The proposed capital strategy is set out at Appendix 5. This also includes the policy on repaying debt and the prudential indicators which assess the affordability of new borrowing.

Consultation

- 3.26 This report was subject to consultation with stakeholders along with the revenue budget. No comments have received.
- 3.27 No changes have been made to the schemes proposed in the draft report.

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

4.1 Financial implications

- 4.1.1 This report is exclusively concerned with financial matters.
- (a) There is some proposed prudential borrowing in the programme for replacement of vehicles of £3.1m. The anticipated revenue costs arising will be £0.3m per year, for which revenue budget exists. This borrowing is affordable, sustainable and prudent (this is further described in the Treasury Strategy on your agenda).

4.1.2 No schemes are expected to lead to higher ongoing costs and some will lead to 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. There will be procurement and legal implications in respect of individual schemes and client officers should take early legal advice. In accordance with the constitution, the capital programme is a matter that requires approval of full Council.

Kamal Adatia, City Barrister and 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 good 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 Public Sector Equality Duty.

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 adaptations within homes (disability), home repair grants which are most likely to be accessed by elderly, disabled people or households with children who are living in poverty (age and disability), and provision of funds for festive decorations (religion and belief).

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 Public Sector Equality Duty (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, on the basis of a protected characteristic.

4.4 Climate Emergency implications

- 4.4.1 The city council declared a climate emergency in February 2019 and has now published its new Climate Emergency Strategy & Action Plan, setting out the ambition to make Leicester a carbon neutral city. The council is one of the largest employers and land owners in the city, with carbon emissions of 33,872t CO₂e from its buildings and schools in 2019/20, and has a high level of influence in the city. The council has a vital role to play in reducing emissions from its buildings and operations, and leading by example on tackling the climate emergency in Leicester. As discussed in this report, many of the projects outlined will play 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 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 One – Corporate & Unringfenced Capital Resources.

Appendix 2a – Immediate Starts – People & Neighbourhoods.

Appendix 2b – Immediate Starts – Highways, Transport & Infrastructure.

Appendix 2c – Immediate Starts – Tourism & Culture.

Appendix 2d – Immediate Starts – Corporate

Appendix 3 – Policy Provisions.

Appendix 4 – Highways Maintenance Capital Programme

Appendix 5 – Capital Strategy 2020/21.

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)?

8. Is this a “key decision”? If so, why?

Report Author: Amy Oliver

Date:

Capital Resources

Unringfenced Capital Resources

	20/21
	{£000}
<u>Capital Receipts</u>	
General Capital Receipts	5,822
Council Housing - Right to Buy Receipts	<u>700</u>
Total Receipts	<u>6,522</u>
 <u>Unringfenced Capital Grant</u>	
Education Maintenance	3,672
Integrated Transport	2,556
Transport Maintenance	2,102
Total Unringfenced Grant	<u>8,330</u>
 <u>Other</u>	
Policy Provisions Review	1,933
Less: Potential Additional Costs associated with COVID-19 Pandemic	<u>(1,800)</u>
Total Other	<u>133</u>
 TOTAL UNRINGFENCED RESOURCES	<u>14,985</u>
 Ringfenced Resources	4,695
 TOTAL CAPITAL RESOURCES	<u>19,680</u>

Immediate Starts – People & Neighbourhoods

	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
		{£000}	{£000}	{£000}
<u>People & Neighbourhoods</u>				
Children’s Capital Improvement Programme	WP	1,836	0	1,836
Private Sector Disabled Facilities Grant	WP	0	1,539	1,539
Local Environmental Works	WP	400	0	400
Foster Carer Capital Contribution	WP	250	0	250
Repayable Home Repair Loans	WP	150	50	200
Conservation Building Grants	WP	50	0	50
Long Term Empty Homes Purchase	PV	50	0	50
Festive Decorations	WP	50	0	50
		2,786	1,589	4,375

Key to Scheme Types : PJ = Project ; WP = Work Programme ; PV = Provision ; Oth = Other

Summary of Ringfenced Funding

	{£000}
Disabled Facilities Grant	1,539
Loan Repayments	50
TOTAL RINGENCED FUNDING	1,589

Immediate Starts – Highways, Transport & Infrastructure

	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
		<i>{£000}</i>	<i>{£000}</i>	<i>{£000}</i>
<u>Highways, Transport & Infrastructure</u>				
Transport Improvement Works	WP	2,556	0	2,556
Highways Capital Maintenance Programme	WP	2,102	0	2,102
Flood Strategy, Flood Defence & Watercourse Improvements Programme	WP	300	0	300
Front Walls Enveloping Programme	WP	200	0	200
		5,158	0	5,158

Key to Scheme Types : PJ = Project ; WP = Work Programme ; PV = Provision ; Oth = Other

Immediate Starts – Tourism & Culture

	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
		<i>{£000}</i>	<i>{£000}</i>	<i>{£000}</i>
<u>Tourism & Culture</u>				
De Montfort Hall Building Works & Technical Equipment*	PJ	1,440		1,440
Heritage Interpretation Panels	WP	270	0	270
		1,710	0	1,710

Key to Scheme Types : PJ = Project ; WP = Work Programme ; PV = Provision ; Oth = Other

Immediate Starts – Corporate

	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
		{£000}	{£000}	{£000}
<u>Corporate</u>				
Fleet Replacement Programme	WP	0	3,106	3,106
Operational Estate Capital Maintenance Programme	WP	1,715	0	1,715
Capital Projects Team & Other Staff Costs	Oth	1,370	0	1,370
Phoenix & Sovereign House	Oth	1,130	0	1,130
		4,215	3,106	7,321

Key to Scheme Types : PJ = Project ; WP = Work Programme ; PV = Provision ; Oth = Other

Summary of Ringfenced Funding

	{£000}
Prudential Borrowing	3,106
TOTAL RINGENCED FUNDING	3,106

Policy Provisions

	Corporate Programme Funding	Ringfenced Funding	Total Approval
	<i>{£000}</i>	<i>{£000}</i>	<i>{£000}</i>
Black Lives Matter	500	0	500
Tree Programme	500	0	500
POLICY PROVISIONS TOTAL	1,000	0	1,000

Proposed Highways Maintenance Capital Programme

Description	Amount £000's
Major Public Realm & Transport Improvement Schemes - Essential maintenance associated with Horsefair Street, Pocklington's Walk & Market Place South	100
LEAN Carriageway & Pothole Repairs – Target large carriageway pothole repairs to provide longer term repairs in readiness for surface dressing.	500
Principal Roads – Uppingham Road, Coleman Road to Overton, Thurmaston Lane/Victoria Road East Roundabout, Oxford Street and Infirmary Road.	355
Classified Non-Principal Roads – Saffron Lane continuation (The Fairway to Pork Pie Roundabout)	160
Unclassified Neighbourhood Roads – Scraptoft Lane (Colchester Road to Thurncourt Road)	100
Emergency Carriageway Rutting/ concrete bay repairs	55
Carriageway Joint Sealing Programme – Prevents water ingress & onset of potholes.	35
Road Hump Replacements - Reconstruction/replacement of failed block paved road humps and speed cushions.	15
Footway Relays and Reconstructions – Focus on local neighbourhood priorities; Narborough Road continuation.	170
Strategic Bridge Deck Maintenance & Replacement Works Thurcaston Road Footbridge, Friday Street, canal and river footbridges linked to River Soar accessibility programme.	400
Bridge Improvement & Maintenance Works – Parapet replacements, structural maintenance works and technical assessment review project.	100
Traffic Signal Installations Renewals – King Richards Road, Fosse Road, Glenfield/Fosse Road.	150
Lighting Column Replacements – Replace 50 dangerous columns.	40
Vehicle Activated Signs – Ward priorities	10
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.	300
TOTAL *	2,490

*This scheme is deliberately over-programmed to manage risks from scheme co-ordination clashes and other factors affecting timing of works.

Capital Strategy 2021/22

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 outside the vicinity of the Council concerned (something Leicester City 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. It incorporates our policy on repaying debt, which used to be approved separately.

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 does not apply for directions to capitalise revenue expenditure.
- 2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2021/22. It therefore, includes expenditure from the 2020/21 programme that will be rolled forward.

Department / Division	2020/21 Estimate £m	2021/22 & Beyond Estimate £m
People & Neighbourhoods	51.6	52.4
Highways, Transport & Infrastructure	66.7	71.5
Promoting Business	2.8	2.8
Tourism & Culture	12.9	13.6
Corporate	5.5	11.3
Strategic Acquisitions	0.0	4.0
Total General Fund	139.5	155.6
Housing Revenue Account	48.3	70.3
Total	187.8	225.9

- 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 provision is made each year for significant improvements or renovation.

- 2.9 The Housing Division provides management of tenanted dwellings. Apart from the new build, 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	40 years / 30 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	30 years / 20 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. (The treasury management strategy explains why in practice we don't need to borrow on the external market: we must still, however, account for it as borrowing and make "repayments" from revenue each year). 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:-

	2020/21 Estimate £m	2021/22	2022/23	2023/24
HRA	241	258	276	287
General Fund	269	269	269	269

(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. Share capital has a maximum “life” of 20 years.
- 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 The law permits the Council to “claim back” sums set aside voluntarily in previous years by reducing subsequent years’ debt repayment. The Council will only do this in the following circumstances:-
- (a) To support the Council’s treasury management strategy. For instance, using these sums gives the Council access to a wider pool of collective property investments than we could otherwise use because of accounting restrictions (and hence access to better investment opportunities);
 - (b) For the acquisition of other investments permitted by the investments strategy, where it is appropriate to capitalise spending so that revenue savings can be delivered immediately.
- 4.12 Once investments acquired through sums “claimed back” are redeemed, the receipt will be set aside again for debt repayment.
- 4.13 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. The rules governing this are included in the investment strategy.
- 4.14 The ratio of financing costs to net revenue budget is estimated to be:-

	2020/21	2021/22	2022/23
	%	%	%
General Fund	2.0	2.3	2.5
HRA	11.1	11.6	12.0

5. **Commercial Activity**

- 5.1 The Council has for many decades held commercial property. 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 LLEP 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 a solar farm, 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.

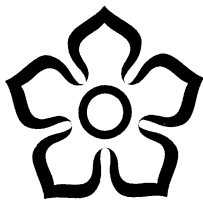
5.2 Such investments will only take place (if they are of significant scale) after undertaking a formal appraisal, using external advisors if needs be. Nonetheless, as such investments also usually achieve social objectives, the Council is prepared to accept a lower return than a commercial funder might, 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.

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

Item 4.b.i

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 4 FEBRUARY 2021 at 4:00 pm

P R E S E N T:

Councillor Cassidy (Chair)
Councillor Joel (Vice-Chair)

Councillor Gee (sub for Councillor Halford)	Councillor Joshi
Councillor Kitterick	Councillor Porter
Councillor Waddington	Councillor Westley

In Attendance:

Sir Peter Soulsby	City Mayor
Councillor Clarke	Deputy City Mayor, Environment and Transportation
Councillor Cutkelvin	Assistant City Mayor, Education and Housing
Councillor Dempster	Assistant City Mayor, Health
Councillor Hunter	Assistant City Mayor, Tackling Racism and Disadvantage
Councillor Master	Assistant City Mayor, Neighbourhood Services
Councillor Myers	Assistant City Mayor, Jobs, Skills, Policy Delivery and Communications
Councillor Patel	Assistant City Mayor, Communities, Equalities and Special Projects
Councillor Singh Clair	Deputy City Mayor, Culture, Leisure, Sport and Regulatory Services

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137. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Halford. Councillor Gee was present as the appointed substitute for Councillor Halford.

The Committee noted that Councillor Thalukdar was present as a substitute Member.

138. DECLARATIONS OF INTEREST

Councillor Joshi declared an Other Disclosable Interest in the general business and budget items of the meeting in that his wife worked in the Reablement Team at the Council.

Councillor Westley declared an Other Disclosable Interest in agenda item Appendix D Draft Housing Revenue Account Budget (Including Capital Programme) 2021/22, in that some members of his family were Council tenants.

In accordance with the Council's Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillors' judgement of the public interest. They were not, therefore, required to withdraw from the meeting.

149. DRAFT CAPITAL PROGRAMME 2021/22

The Director of Finance submitted the draft General Fund Revenue budget 2021/22, which would be considered at the meeting of Council on 17 February 2021. The draft had been published in December 2020 and received by all scrutiny commissions. The Overview Select Committee was 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.

The Director informed the meeting the budget was proposed at a time of extreme uncertainty following 10 years of severe spending cuts and during which time the authority had lost over £100 million of government funding per year. She added it was not yet known the full extent of the spending which would result from pandemic restrictions or the impact of a subsequent economic downturn, and services may need to be shaped to meet the needs of the a new environment which will be faced with the pandemic was over.

When the report was produced it was on the basis of the draft finance settlement, with information on the grant for 2021/22. The final settlement was published on the afternoon of 4 February 2021 and did not amend any figures in the report.

The 12-month stop-gap budget had been recommended to the Executive, when finances would be reviewed when there was more certainty, and in line with the approach there had been minimal changes to the budget.

It was noted extra monies had had to be provided, in particular to social care which had received a further £10million. The government provided a social care grant of £3million, and the opportunity to increase Council Tax by 3% (£3.6million) was welcome but still left £3million short in terms of the cost of growth.

The budget was balanced with the use of £20million reserves. It was noted the authority was fortunate to have reserves which reflected the difficult decisions that had been taken in the past, as many local authorities were now financially unsustainable moving forward.

The Director predicted future years remained harder than ever as it was not known what the government intended to do with the spending review, the impact on business rates and the impact on city centres and downturn in the economy. It was stated an estimate of a funding shortfall in 2021/22 of around £40million could be expected, and that every year reserves would decline.

The City Mayor said it was a difficult budget following a disruptive year, and also the uncertain future. He added the Council's finances were comparatively stable to compared other local authorities due to the difficult decisions Members had had to take and the sound advice given to them from the Director of Finance and colleagues.

The City Mayor stated he had listened very carefully to what has been said by consultees and scrutiny commissions, and would formalise by way of the proposal to be put to Council the intention to recognise the role of scrutiny commissions. In particular the present role of the public health officers who had been stretched to considerable extent, and he believed it was necessary to put some additional resources behind that with a recommendation to Council to add initially a further £200k to that budget to enable them to make some changes to strengthen their team.

The City Mayor was also aware, as Scrutiny Commissions had also pointed out, the increasing needs of the most vulnerable in the community. He intended to top up the Discretionary Council Tax hardship fund in light of exceptional economic difficulties that people were facing, by £500k in the first instance.

The City Mayor also intended to recognise the continued call on the crisis support payments made with an extra £300k in the budget. The City Mayor also noted the likelihood that the Discretionary Housing Payments fund would come under pressure, and it was intended to top up the fund by £900k to provide for those in desperate hardship. The City Mayor noted the initial additions would be kept under review to see if further funds would be required.

He further noted the revenue budgets remain pressurised and by putting additional funds into those service put additional strain on the authority's ability to cope with the scenario ahead and greater austerity from the government, but it was impossible to recognise the needs both of public health and those in most distress as a result of the pandemic.

The City Mayor asked the Overview Select Committee to note the commitment made and hoped that the Committee support the revenue budget being taken to Council. It was added that the growth in social care costs had increased year on year and there was a need to seek ways of managing demand.

in response to Members questions the following was noted:

- The potential impact of a 5% council tax rise had been raised in Economic Development Transport and Tourism Scrutiny Commission who asked for consideration of the budget around hardship grants for those suffering to have some form of mitigation, and Members were pleased the City Mayor had provided figures of increased budgets in those areas. It was asked if the council tax letter when sent could include information on the opportunity to apply for various hardship grants or council tax/ housing support. The Director of Finance informed Members that information was included with council tax bills.
- It was raised that the increase in Council Tax would make it unbearable for some people who were under pressure. It was stated that one of the main drivers for having to increase Council Tax was the increased costs of social care. The City Mayor added that the sums of money raised by the supplements made to Council Tax did little to contribute to increasing costs in those areas over the past 10 years. It was further added that Council Tax was going up in Council's across the country of all political control as a result of funding cuts made by government in the name of austerity.
- It is not possible to break down a households council tax bill to show what their money is spent on penny by penny, but it was noted two-thirds of the Council's budget was spend on social care; vulnerable children and vulnerable adults. The Director of Finance agreed that the long-deferred review of social care funding was absolutely essential to all councils for future sustainability.
- It was suggested the continuing spiralling in costs in adult social care was unsustainable and was there more fundamental work that could be done. The City Mayor agreed with the need to look at social care costs as being paramount, especially at a time when other services were being squeezed.
- Members welcomed the decision on the 0-19 commissioning withdrawal of the budget reduction at this time.
- A note of concern was expressed regarding the sexual health and contraception services as an area for budget reductions. It was appreciated that Covid-19 had changed lots of behaviours, including sexual behaviours, however, it was stated the consequences of poor sexual health or lack of access to contraception could have lifetime consequences.

The Chair noted the report and comments made in Scrutiny Commissions and by Members of Overview Select Committee. It was noted that Members were very pleased that the Council's finances were managed responsibly and prudently by its finance officers, and hoped the government recognised that Leicester City Council were in a better position than neighbouring councils. The Chair thanked Director of Finance and colleagues for their hard work.

AGREED:

That:

1. The report and comments from Members of the Overview Select Committee be noted, and pass to the meeting of Council on 17 February 2021.

2. The Director of Finance review information regarding opportunities to apply for hardship grants on Council Tax Bills and the Council's website.

Item 4.c

4.c Housing Revenue Account Budget (including Capital Programme) 2021/22

Council is asked to:-

- a) consider the comments of the Assistant City Mayor – Education and Housing’s Recommendations for the Housing Revenue Budget 2020/21 to be published prior to the Budget Meeting and will be attached to the Council Script;
- b) consider the views of the Overview Select Committee meeting held on 4 February 2021(Attached at I); and
- c) approve the proposed Housing Revenue Account budget (including Capital Programme) for 2021/22.

Attached in the report is a minute extract from the Housing Scrutiny Commission on 11 January 2021 (Attached at Appendix H).

The Council is recommended to:

- i) Note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;
- ii) Note the comments from the Tenants’ and Leaseholders’ Forum at Appendix G, the Housing Scrutiny Commission at Appendix H, and the Overview Select Committee at Appendix I;
- iii) Approve the Housing Revenue and Capital budgets for 2021/2022;
- iv) Approve rent and service charge changes for 2021/2022 as follows:
 - 1.5% increase to core rent;
 - 1.5% increase to garage rent;
 - changes to Dawn Centre rent as set out at section 4.1.4;
 - 2.0% increase to service charges;
 - no changes to sundry payments and charges;
- v) Note the equality impact assessment of the proposed revenue and capital reductions required to present a balanced budget, at Appendix J;
- vi) Note that the scheme of virement (included within the General Fund Revenue Budget report which is also on your agenda) applies also to the HRA budget with total expenditure and total income acting as budget ceilings for this purpose;
- vii) Note that the capital strategy in that report applies also to the HRA;
- viii) Agree that the delegations and determinations applicable to the main capital programme (which is also on your agenda) shall also apply to the capital programme in this report.



Housing Revenue Account Budget (including Capital Programme) 2021/22

Full Council: 17th February 2021

Assistant Mayor for Housing: Cllr. Elly Cutkelvin

Lead director: Chris Burgin

Useful information

- Ward(s) affected: All
- Report authors: Chris Burgin, Director of Housing & Stuart McAvoy, Principal Accountant

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 2021/22.

2. Summary

- 2.1 The financial landscape of the four-year period from 2016 to 2020 was dominated by the government requirement that rents be reduced by 1% each year. Despite this pressure, the HRA delivered balanced budgets. For the 5 years from 2020 rents are permitted to increase by up to CPI+1%. Whilst this relaxation will help to sustain a financially viable HRA and support investment in the housing stock, the continuing impact of Right to Buy (RTB) sales on rental income persists.
- 2.2 This report recommends that the budget for 2021/22 is set as a balanced budget, with a core rent increase of 1.5%.
- 2.3 Consultation on the proposals within this report has been carried out 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 financial pressures on the HRA and comment on the proposals for delivering a balanced budget;
 - ii) Note the comments from the Tenants' and Leaseholders' Forum at Appendix G, the Housing Scrutiny Commission at Appendix H, and the Overview Select Committee at Appendix I;
 - iii) Approve the Housing Revenue and Capital budgets for 21/22;
 - iv) Approve rent and service charge changes for 21/22 as follows:
 - 1.5% increase to core rent;
 - 1.5% increase to garage rent;
 - changes to Dawn Centre rent as set out at section 4.1.4;
 - 2.0% increase to service charges;
 - no changes to sundry payments and charges;
 - v) Note the equality impact assessment of the proposed revenue and capital reductions required to present a balanced budget, at Appendix J;
 - vi) Note that the scheme of virement (included within the General Fund Revenue Budget report which is also on your agenda) applies also to the HRA budget with total expenditure and total income acting as budget ceilings for this purpose;
 - vii) Note that the capital strategy in that report applies also to the HRA;
 - viii) Agree that the delegations and determinations applicable to the main capital programme (which is also on your agenda) shall also apply to the capital programme in this report.

4. Report

4.1 Rents & Service Charges

4.1.1 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 £225m.

4.1.2 The HRA budget is set by modelling expected levels of income and expenditure. Following four years of rent reductions from 2016, which reduced rental income by £3.1m p.a., 2021/22 is the second of 5 years in which rents may be increased by up to CPI+1%. CPI as at the end of September 2020 was 0.5%, meaning that rental increases of up to 1.5% are permitted. The recommendation of this report is to apply a rental increase of the full 1.5%, based on the unavoidable pressures detailed in this report, and the need to maintain a programme of capital maintenance.

4.1.3 Service charges and garage rents are set separately to core rent. This report proposes an increase in service charges for 2021/22 of 2%. It is proposed to increase garage rents by 1.5% (September CPI+1%) in line with the core rental increase. It is proposed that the sundry payments and charges listed at Appendix C remain unchanged.

4.1.4 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 has recently been undertaken, reflecting the proposed staffing structure for 2021/22. All individuals staying at the Dawn centre are eligible for Housing Benefit, and the Revenue & Benefits service have confirmed that these charges are at a reasonable level for charging to HB. The work has resulted in the following proposed weekly rents for 2021/22:

Dawn Centre	Proposed Weekly Charge 2021/22
Catered Beds – Core Rent	£73.78
Catered Beds – Eligible Service Charge	£310.52
Catered Beds – Ineligible Service Charge	£42.42
Emergency Beds – Core Rent	£55.65

4.2 Revenue Cost Pressures

4.2.1 The primary external pressure on the HRA continues to be reduced rental income arising from the loss of stock through RTB sales. Table 1, below, summarises the known pressures and budget growth requirements within the HRA:

Table 1: Revenue Cost Pressures	2021/22 £000
Rental Impact of RTB Stock Loss	1,135
Inflation & Staffing Cost Pressures	1,676
Capital Expenditure Funded from Revenue	75
Total Cost Pressures	2,886

Right to Buy

Sales of properties through Right to Buy can give discounts to tenants of up to 70% of the property value. From 2012 the government 'reinvigorated' the scheme by increasing the maximum discount, such that for Leicester it is now £84,200 compared with £24,000 in 2012. Sales have increased as a result, with a loss of nearly 1,700 properties in the last 4 years alone. The HRA loses rental income from properties sold in this way, and the economies of scale that come from managing a large portfolio are gradually being eroded. Although the number of people exercising their right to buy has dropped significantly due to the covid pandemic, it is still forecast that rental income will be £1.14m lower in 21/22 as a result of 300 Right to Buy sales.

Inflation

Provision is made for employee costs to rise by over £1.6m in 21/22. This includes the known cost of staff re-grading which took place in 20/21 affecting nearly 50 staff, alongside increases to pension contributions and a provision for any pay increases. Any funding not required will be identified in budget monitoring once the position is clear.

Capital Expenditure Funded from Revenue

The default source of funding for the HRA capital programme (other than acquisitions and new build) is from revenue resources, which in 2020/21 amounted to £16.235m. In 2021/22 the figure increases by £75k to £16.310m, drawing on additional resources and representing a revenue pressure. These schemes are detailed in section 4.4, below.

4.3 Revenue Savings

4.3.1 The proposals within this report meet the identified budget pressure of £2.886m in 2021/22. Table 2, below, summarises the proposed budget reductions:

Table 2: Additional Income & Reductions in Expenditure	2021/22 £000
Dwelling Rent & Service Charges	(1,345)
New Build & Acquired Property Rental Income	(904)
Border House Review	(247)
Interest Payable by HRA	(140)
Materials in Repairs & Gas Services	(150)
Structural Works	(100)
Total Savings	(2,886)

Rent & Service Charges

As outlined in section 4.1, the additional income shown here reflects the recommendation that rents, including garage rents, be increased by CPI plus 1%. It is proposed that service charges be increased by 2%, in line with the assumed rate of increase in staff pay since the costs of these services are heavily driven by such costs.

Rental income on New Build and Acquired Properties

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 £0.9m in 2021/22 as a consequence of this.

Border House Review

The closure of Border House was announced in February 2020. Managing and operating Border House represented a net cost to the Council. Therefore, whilst its closure results in a drop in income received by the Council, this is more than offset by the reduction in staffing and non-staffing costs. This is expected to result in a saving of £247k.

Interest Payable By HRA

The HRA pays interest on debt of £225m, and earns interest on cash balances it holds. In-year budget monitoring indicates that in 2020/21 there is a surplus budget of £580k on the net interest payable by the HRA, which can be declared as a saving. Offsetting this, however, is the requirement to set aside additional budget of £440k for the interest cost and principal repayments linked to the acquisitions and new build programme. The net figure of £140k is available to help balance the 21/22 budget.

Materials in Repairs & Gas Services

As the number of properties held within the HRA have fallen over recent years, there has been a drop in the cost of materials used to undertake repairs. Surplus budget of £150k across the Repairs and Gas Services sections can be removed without any impact on service performance.

Structural Works

A budget of £256k is held for structural works, such as underpinning when foundations fail or the insertion of steel lintels above windows. This work is largely demand-led and has underspent in recent years. This budget can be reduced by £100k without an impact on the quantity of work being undertaken.

4.3.2 In summary, the proposed HRA revenue budget savings for 2021/22 will meet the amount required to balance the revenue budget without drawing upon reserves. Appendix A shows a high-level breakdown of the proposed HRA revenue budgets for the year.

4.4 Capital Expenditure

4.4.1 The 2020/21 capital programme (excluding budgets slipped from previous years) is £47.4m, with £30m of this relating to the Council House Acquisition programme.

4.4.2 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 2020/21.

4.4.3 Appendix B shows the proposed capital programme for 2021/22. Other than one-off schemes falling out of the programme, the following projects are those for which changes are proposed:

Re-roofing

Analysis of the remaining life of roofs has identified that a greater number of properties will need to be re-roofed over coming years than the current budget allows for. The budget increased by £400k in 2019/20 with a further increase of £150k being proposed for 2021/22.

Public Realm Works

An injection of £5m over 3 years was proposed within last year's budget report to allow for significant improvements to the appearance of low-rise flats, communal areas, and estates more generally. £1.2m was included within the 20/21 budget, rising to £1.9m for 21/22 and 22/23. A mix of reserves and revenue contributions are intended to finance this budget.

Disabled Adaptations

The current budget of £1.2m is utilised for the adaptation of Council properties to meet the needs of tenants, in liaison with Adult Social Care. This demand-led budget has consistently underspent in recent years, so a reduction of £300k is being proposed. This will be balanced by the creation of a new budget for adaptations to properties for those people currently on the housing register enabling them better access to properties which will meet their needs.

Fire Risk Works

There are in excess of 1,000 shared and communal spaces, for which Fire risk assessments are carried out, on average, every three years. High risk accommodation, such as tower blocks, are assessed every year. These assessments identify potential risks and works required to mitigate them, such as replacement doors, emergency lighting systems or ventilation systems. This budget was temporarily increased from £850k to £1m in 2019/20, and can now reduce back to its historic level.

Property Conversions

£500k was added to the 2020/21 programme to help address overcrowding in properties. This budget will continue to be utilised throughout 2021/22, whilst the scale and nature of the issue continues to be assessed. Not all properties are suitable for conversion/extension so further work is required to identify the number of properties which may benefit from this type of work.

Affordable Housing – Acquisitions & New Build

In November 2019 Full Council approved the addition of £70m for the purchase of properties and the extension of the LA new-build programme; £40m of this is already approved within the 2021/22 budget but is included in Appendix B for completeness. It is proposed in this report that a further £30m be added to the programme, supporting its continuation and ensuring that sufficient budget exists to exploit larger scale acquisition opportunities, should they arise. Of the £30m addition, 30% is expected to be financed from RTB receipts, with the remaining 70% from borrowing.

Business Systems

A long-standing budget for making improvements to Housing IT systems, including the increasing use of mobile working solutions requires £550k to provide sufficient budget for 2021/22. Budgets for future years may need to take into account procurement requirements for system replacement.

Climate Change & Retrofitting

It is acknowledged that addressing the climate emergency will require additional work to be undertaken to improve the energy efficiency of existing Council properties. The inclusion of £250k within the 2021/22 budget will enable feasibility work to be undertaken to identify the most suitable and cost-effective forms of retrofitting for the current stock.

Fencing

Currently, fencing around dwellings is almost always repaired rather than replaced. As well as being more aesthetically pleasing, in some cases a new fence would be cost-effective in the medium term by reducing the number of repairs being undertaken. The creation of a £200k budget for fencing will enable a replacement approach to be trialled.

Bridlespur Way Refurbishment

A block of 17 flats on Bridlespur Way has, until recently, been used as an extension of Border House Hostel. The intention is to continue using these flats as temporary accommodation, but the closure of the hostel provides an opportune time to refurbish the block, which is in need of some attention, at a cost of £300k.

4.4.4 The financing of the proposed capital programme is shown in the table below. This results in an increase in funding from revenue of £75k in 2021/22, reflecting the figure at paragraph 4.2.1.

Table 3: Financing of HRA Capital Programme	2020/21 £000	2021/22 £000
Funded From Revenue	16,235	16,310
Funded From Reserves	1,200	1,500
Funded From Right to Buy Receipts (incl. Allowable Debt)	15,000	29,000
Funded from Borrowing	15,000	41,000
	47,435	87,810

4.4.5 Authority for amendments to the HRA capital programme is in line with that for the corporate programme as set out in the Capital Programme Report to Council on 17th February 2021.

4.5 HRA Reserves

4.5.1 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 in the replenishment of dwelling stock to increase the long-term financial viability of the HRA. In keeping with this approach, the only use of reserves in the proposed 2021/22 budget is for a time-limited enhancement of public realm works (£1.2m) and adaptations to properties (£0.3m) using capital underspends from 2020/21.

4.5.2 Projections of the HRA reserve position at the end of 2021/22 indicate that there will be only limited unallocated reserves, in the region of £2m. Given the forecast revenue overspend for 2020/21 alongside the long-term financial risks facing the HRA, it is considered prudent not to allocate these funds at the current time.

Forecast Opening Reserves Balance as at 1 st April 2021	(£33.0m)
Amount held to cover minimum working balances, and to finance prior years' capital approvals (including policy provisions)	£19.1m
Earmarked for future anticipated calls on reserves	£10.4m
Reserves to be applied in 2021/22 to part-finance Public Realm Works & Disabled Adaptations	£1.5m
Forecast Unallocated Reserves Balance as at 31st March 2022	(£2.0m)

5. Financial, legal and other implications

5.1 Financial implications

5.1.1 This report is exclusively concerned with financial issues.

Colin Sharpe, Deputy Director of Finance (37 4081)

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 (S76 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 (S75 and Schedule 4 Local Government and Housing Act 1989).

Jeremy Rainbow - Principal Lawyer (Litigation) – 37 1435

5.3 Climate Change and Carbon Reduction implications

5.3.1 Housing is responsible for a third of Leicester's overall carbon emissions. Following the council's declaration of a climate emergency in February 2019 and launch of the council's new Climate Emergency Strategy & Action Plan, addressing these emissions is vital to meeting our ambition to make Leicester a carbon neutral city.

5.3.2 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, 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 may help to limit maintenance costs.

5.3.3 This need is reflected within the report, which details the inclusion of £250k in the 2021/22 budget to enable feasibility work to be carried out to identify the most suitable and cost-effective forms of retrofitting for the stock.

Aidan Davis, Sustainability Officer, Ext 37 2284

6. Background information and other papers:

None

7. Summary of appendices:

Appendix A: Proposed HRA Revenue Budget 2021/22

Appendix B: Proposed HRA Capital Programme 2021/22

Appendix C: Other Service Charges and Payments 2021/22

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: Minutes of the Overview Select Committee

Appendix J: Equality Impact Assessment (EIA)

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

**Proposed HRA Revenue Budget
2021/22**

	2020/21 Current Budget £000	- 2021/22 -		Proposed 2021/22 Budget
		2021/22 Budget Pressures	2021/22 Savings & Reductions £000	
Income				
Dwelling & Non-Dwelling Rent	(74,183)	1,135	(1,792)	(74,840)
Service Charges	(5,726)	0	(83)	(5,809)
Total Income	(79,909)	1,135	(1,875)	(80,649)
Expenditure				
Management & Landlord Services	19,138	815	(621)	19,332
Repairs & Maintenance	25,544	861	(250)	26,155
Interest on Borrowing	9,010	0	(140)	8,870
Charges for Support Services	4,221	0	0	4,221
Contribution to GF Services	5,761	0	0	5,761
	63,674	1,676	(1,011)	64,339
Capital Funded From Revenue	16,235	75	0	16,310
(Surplus) / Deficit Before Reserves	0	2,886	(2,886)	0

HRA Capital Programme 2021/22

The table below shows the 20/21 capital programme as at October 2020 (excluding budgets slipped from previous years' programmes), and the proposed programme for 21/22. All of the schemes listed for 21/22 are immediate starts.

	20/21 Capital Programme £000	Provisional 21/22 Programme £000
Kitchens & Bathrooms	3,600	3,600
Boilers	3,425	3,425
Re-wiring	1,760	1,760
Re-roofing	750	900
Soffits & Facia	350	350
Windows and Doors	150	150
Door Entry	150	150
District Heating Maintenance	725	725
Communal Improvements & Environmental Works	750	750
Public Realm Works	1,200	1,900
Disabled Adaptations	1,200	900
Adaptations for Incoming Tenants	0	300
Fire Risk Works	1,000	850
Safety Works including Targeted Alarms	300	300
Loft Insulation	100	100
Waylighting	150	150
Sheltered Housing Improvements (ASC)	100	100
Concrete Paths Renewal	100	100
Property Conversions	500	0
Feasibility Study for Sheltered Housing	250	0
Maintenance of Non-Dwellings (policy provision)	700	0
Affordable Housing - Acquisitions & New Build	30,000	70,000*
Business Systems	175	550
Climate Change & Retrofitting Feasibility	0	250
Fencing Replacement	0	200
Bridlespur Way Refurbishment	0	300
Total Capital Programme	47,435	87,810

* Note: The £70m shown in the table above for Affordable Housing in 2021/22 includes £40m which was approved by Council in November 2019 and does not form part of the capital programme for which approval is being sought through this report; it is included within the table for completeness.

Other Service Charges and Payments

It is proposed that the payments and charges shown in the table below remain unchanged for 2021/22:

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 allowance is £155 per dwelling.																																
Decorating Allowances	<p>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:</p> <table style="margin-left: 40px;"> <tr><td>Bathroom</td><td>£45.00</td></tr> <tr><td>Kitchen</td><td>£56.25</td></tr> <tr><td>Lounge</td><td>£67.50</td></tr> <tr><td>Dining Room</td><td>£67.50</td></tr> <tr><td>WC (where separate)</td><td>£22.50</td></tr> <tr><td>Halls (flats/bungalows)</td><td>£45.00</td></tr> <tr><td>Hall/Stairs/Landing</td><td>£78.75</td></tr> <tr><td>Large Bedroom</td><td>£67.50</td></tr> <tr><td>Middle Bedroom</td><td>£56.25</td></tr> <tr><td>Small Bedroom</td><td>£36.00</td></tr> </table> <p>The amount payable is capped as follows:</p> <table style="margin-left: 40px;"> <tr><td>3+ bed house / maisonette</td><td>£300</td></tr> <tr><td>3+ bed bungalow / flat</td><td>£250</td></tr> <tr><td>2 bed house / maisonette</td><td>£250</td></tr> <tr><td>2 bed flat / bungalow</td><td>£200</td></tr> <tr><td>1 bed flat / bungalow</td><td>£150</td></tr> <tr><td>Bedsit</td><td>£100</td></tr> </table>	Bathroom	£45.00	Kitchen	£56.25	Lounge	£67.50	Dining Room	£67.50	WC (where separate)	£22.50	Halls (flats/bungalows)	£45.00	Hall/Stairs/Landing	£78.75	Large Bedroom	£67.50	Middle Bedroom	£56.25	Small Bedroom	£36.00	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
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1 bed flat / bungalow	£150																																
Bedsit	£100																																

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.

Property Type	HRA 2020/21	Formula Rent 2020/21	Housing Assoc. 2018/19	Private Sector (LHA rate) 2020/21	Private Sector (City Wide) 2019/20
Room only	-	-	-	£78.00	£82.85
Bedsit (studio)	£56.03	£64.44	£56.24	£103.56	£97.62
1 bed	£63.49	£68.80	£64.58	£103.56	£120.46
2 bed	£74.97	£79.28	£82.11	£130.03	£153.23
3 bed	£83.26	£88.08	£89.70	£155.34	£169.15
4 bed	£95.74	£99.61	£106.10	£205.97	£284.31
5 bed	£102.92	£107.60	£110.63		
6 bed	£117.51	£113.73	£123.90		

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 2021/22 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

1. Labour's Manifesto, For the Many not the Few, contains 12 main commitments that the Housing Division has primary responsibility for delivering. Most of the commitments sit under the Manifesto section 'Homes for all'. These are to:
 - Provide 1,500 more council, social and extra care homes;
 - Use our Housing company to tackle housing shortages;
 - Reduce the number of families and individuals placed in temporary accommodation;
 - Ensure that no-one has to sleep rough on our streets;
 - Establish a residential facility for people experiencing multiple and complex needs, many of whom are rough sleeping;
 - Support further work to meet complex needs experienced by women and Black and Minority Ethnic communities who may not be sleeping on our streets but are homeless;
 - Make Leicester a place of refuge for those fleeing conflict across the world, with a comprehensive offer of housing, support and learning;
 - Maintain our existing adaptations service for all homeowners and undertake a programme of council housing adaptations to allow people with disabilities to remain or move into our properties;
 - Undertake an ongoing £80m council home improvement programme;
 - Continue our environmental investment programme on council land and estates;
 - Provide free Wi-Fi on estates;
 - Establish a home extension fund for council tenants to reduce overcrowding in council properties.

2. 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 HRA budget, incorporating support to deliver the Labour Manifesto commitments, are:
 - Providing Decent Homes;
 - Making our communities and neighbourhoods 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.

3. This appendix sets out how we meet our five major priorities for investment in our 20,100 council homes and their neighbourhoods.

Priority One – Providing Decent Homes

Why is this a priority and what is our planned approach to achieving this?

4. Nearly one in six homes in Leicester is a council house, flat, maisonette or bungalow. 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, wiring, kitchens and bathrooms.
5. 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.
6. 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.
7. 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 analysis stock condition and plan major work accordingly, when it is required.
8. 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 a reasonable repair;
 - It has reasonably modern facilities and services; and
 - It provides a reasonable degree of thermal comfort

The Government’s green paper “A new deal for social housing” was published and consulted upon in 2018. This document stated the Government was considering a review of the Decent Homes Standard. To date no new update on the Decent Homes Standard has been made as a result of this green paper, but the wider housing sector anticipate changes to the current criteria at some point in the future, for which we will need to respond.

9. 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 element for improvement is kitchens and bathrooms. Our current commitment is to refurbish all kitchens and bathrooms by 2036.
10. From time to time major refurbishment or redevelopment projects are required. The current ones are the kitchen and bathroom refurbishment programme, St Leonards

Court lift replacement and installation of a second lift, demolition of Goscote House, central heating and boiler upgrades and the electrical improvement programme.

11. It is crucial we continue to repair and maintain homes. During 2019/20, 88,072 repairs were completed. The number for 2020/21 will, to some extent, depend on the impact of the pandemic. While every effort is being made to complete repairs in a timely manner to protect homes and meet customer expectations, due to COVID-19 a significant number of the non-urgent repairs have been moved from their original target timescales to a 365-days target timescale; this has meant that this indicator is not comparable with previous years' figures.
12. 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 2019/20 the average time to re-let a routine void property was 64.1 days. Due to COVID-19 issues relating to being able to prepare and let voids, and homes being held back to assist with housing those in temporary accommodation, for the first 3 months of 2020/21 the re-let time had risen to 99.4 days.

Achievements in 2020/21 and Proposals for 2021/22

13. In 2020/21 approximately £26m will have been invested in maintaining our homes and a further £17m for improvements through the Capital Programme. The estimates and proposals in the table below are subject to the impact of coronavirus and any associated new local restrictions and the repercussions these may have in future on us carrying out our planned programmes of work.

Programmed element	Achievements and proposals
Kitchens and bathroom	We expect to have installed 560 kitchens / bathrooms in 2020/21. During 2021/2022 we are expecting to install a further 850 kitchens / bathrooms. As at the 1 st April 2020 76% of all council properties have had either a Leicester Standard kitchen or bathroom.
Rewiring	We expect to have rewired 424 homes in 2020/21 and a further 750 during 2021/22.
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 800 boilers in 2020/21 and a further 1,050 in 2021/22.
Roofing and chimneys	We expect to have installed 100 new roofs in 2020/21 and a further 150 in 2021/22. The budget increased by £400k in 2019/20 with a further increase of £150k identified for 2021/22 to enable the increased demand for this work to be undertaken.
Central heating systems	We have 134 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 46 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, fascia's and guttering	By replacing these items with UPVC we reduce long term maintenance costs. During 2020/21 we anticipate replacing 127 soffits, fascias and gutters and a further 150 in 2021/22.
Condensation 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. A multi-option approach is adopted along with the use of thermal imaging technology to produce property specific solutions. In 2020/21 we expect to complete work on 50 properties and a further 500 in 2021/22. The projected number for this year (2020/21) is relatively low due to the difficulties gaining access to properties during the pandemic. Advice to tenants is also important as their actions can alleviate condensation problems, for example opening windows when cooking.
Safety and fire risk work	Investment is required to implement the planned programme of fire safety measures, as agreed with the Fire Service (see point 14 below.)

14. Fire safety is of paramount importance to us as a landlord. We have policies and procedures in place to reduce the risk of fires, for example our Assistant Housing Officers carry out regular fire inspections to properties with communal areas, such as flats, maisonettes and houses in multiple occupation. All of these buildings have their own fire risk assessments and people are provided with a personal evacuation plan in case a fire starts. We have a no tolerance policy on items left in communal areas. If found these are removed so evacuation routes remain clear and combustible items are not left to encourage the spread of fire. Our fire safety work includes implementing recommendations made by the fire service. None of our 6 tower blocks contain external cladding, which contributed to the spread of the fire at Grenfell Tower in 2017, nor do they have gas supplies. 4 of the 5 tower blocks in St Peters have had passive fire protection upgraded as part of the refurbishment work taken place. This includes communal fire doors and emergency lighting. We have agreed to fit sprinkler systems at our 5 high story tower blocks. Work installing sprinklers at Maxwell House has been completed and work on the 4 other blocks has been programmed - procurement for the sprinklers started in Q3 2020/21, with an expected start on site date of Q1 2021/22 – later than originally programmed due to the restrictions resulting from the Covid-19 pandemic.

15. During 2020 /21, the HRA contributed £5.7m for services provided to council tenants, such as the removal of fly tipping on estates and to address crime and resolve anti-social behaviour.
16. Our mobile working solution, Total Mobile, has been in place for 19 months, and an upgrade of the system is due early in 2021 that will bring additional functions. We will also be looking to move the voids staff onto Total Mobile. We are currently reviewing the system, looking at approaches to improve our ways of delivering services and we are closely working with the users to achieve this. We have been trialling Remote Assist which enables us to remotely help customers with issues, potentially without the need to visit the property. Remote Assist is a video sharing tool that allows the tenant to share their phone video with us so that we can see inside their property in real time to help diagnose issues, determine materials required, etc, with a view to reducing the number of visits required, which reduces physical contact during COVID-19 as well as saving costs The system is currently being reviewed by the Voids service to see if it will benefit their way of working.

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

Why is this a priority and what is our planned approach to achieving this?

17. Creating sustainable communities is about more than housing, it means cleaner, safer, greener neighbourhoods in which people have confidence and pride.
18. The environmental works and communal areas fund help 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.
19. Housing office services are now in shared buildings within local communities.

Achievements in 2020/21 and Proposals for 2021/22

20. In 2020/21 the budget for environmental and communal works was £750,000. It was shared across the city in all neighbourhood housing areas. Works included parking improvements, resurfacing courtyards, improving the security of estates by the installation of gates and removal of bushes.
21. During 2020/21 a further £1.2m is being invested to start a 3-year public realm improvement programme, primarily in the St Matthews and St Peters areas of the city. This increases the amount on money we spend making improvements to our estates this year to £1.95 million. This will rise to £2.65 million for each of the following 2 years.

22. The Leicester to Work scheme (see also priority 5) carries out painting, clearing of alleyways, removal of graffiti and other works to improve the look of the local environment.
23. The Housing Division works closely with the Probation Service through the Community Payback scheme, undertaking tasks such as litter picking and painting. Though the scheme is temporarily suspended due to pandemic related transport restrictions, we are keeping this under constant review and, when we are able to will re-start the service, though it may be that the service offer needs to change in the light of current circumstances.
24. The programme of upgrading door entrance schemes will continue based on condition surveys. We expect to upgrade 2 door entrance schemes during 2020/21 and a further 8 in 2021/22.
25. 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 workforce is fully mobile. This year we have had to radically change the way we work to keep our workforce and our customers safe. We have continued to carry out essential visits to our estates, such as fire safety visits to our blocks of flats/maisonettes and responding to emergency situations in people's homes, but a vast majority of our work has been carried out remotely using modern technology. We have a phased approach to returning to the estates which is dependent on the latest advice in the local area. We have equipped our frontline teams with PPE, so that they can go out when needed. As the situation is constantly changing, we are adapting with time. We are looking at moving access to some of our services on-line so that tenants can use them safely and more effectively, while keeping other methods of contact open as well. Our primary concern this year has been the welfare of our tenants and, during the initial lockdown, our teams made over 6,500 calls to vulnerable tenants (this is about one third of our stock).
26. District Managers attend ward community meetings and other local forums. We work closely with the police and are involved in the local Joint Action Groups.
27. We publish an Annual Report to Tenants and Leaseholders and information is also communicated through the Your Leicester electronic newsletter and the Council's Twitter and Facebook accounts.
28. The Customer Service Centre runs a telephone advice line during working hours where tenants can report repairs and tenancy issues. Out of hours emergency calls are taken by an external provider. In 2019/20 the Customer Service Centre received 204,272 calls during the working day on the tenants' advice line. 120,831 of these calls were about repairs. A further 14,734 calls were made out of hours.
29. We are continuing work on a programme to provide greater on-line access to our services, through a portal on the Council's website. We have already set up the facility

for tenants to view and download rent statements and they can now also view repairs and request routine repairs to their property and select an appointment slot. Further on-line developments we are working on include, the ability for tenants to send us an enquiry related to a repair they have reported and allowing tenants to contact us online for a broader range of reasons, such as changing their name and requesting permission to make alterations to their property.

30. We respond vigorously to reports of anti-social behaviour and have CCTV on many parts of our estates. 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 2019/20 we received 1,487 reports of anti-social behaviour that were investigated and, where necessary, action was taken against perpetrators. In the first 3 quarters of 2020/21 we had received a total of 931 reports.
31. We work closely with the Tenants' and Leaseholders' Forum which has representatives from across the city. The Forum has made use of new ways of working to continue to meet and fulfil their scrutiny roll during the pandemic. Forum meetings have taken place using telephone conferencing and, where required, hard copy documents have been distributed using the remote Doc Mailer facility. The action log from the Tenants' and Leaseholders' Forum is attached to the documents for each Housing Scrutiny meeting. The Chair and / or Vice Chair of the Tenants' and Leaseholders' Forum will also attend Housing Scrutiny meetings to provide an update on the work of the Forum. The Tenants' and Leaseholders' Forum have also been consulted on this year's HRA budget proposals.
32. To address the needs of leaseholders we have established a Leaseholders Liaison Team who are responsible for responding to leaseholder queries and improving services to meet their needs. Up until the start of 2020, Leaseholder Forum meetings have taken place on a quarterly basis, though they were temporarily suspended after the meeting in January, due to the pandemic. The meetings began again in October 2020 as virtual meetings using Microsoft Teams.

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

Why is this a priority and what is our planned approach to achieving it?

33. The council and its partners have committed to cut carbon emissions by 50%, relative to 1990 levels by 2025. Part of this target was to reduce residential CO2 emissions from 651,000 tonnes in 2006 to 530,000 tonnes by 2012, a reduction of 121,000 tonnes. Council housing accounts for approximately 16% of all residential housing in the city. Therefore, its pro rata contribution towards carbon reduction target is 20,268 tonnes. Through the Housing Capital Programme CO2 emissions from council houses reduced

by 58,523 tonnes between 2005 and March 2017. This means that we have already exceeded our target by 180%.

34. This has been achieved by window replacements, new central heating installations, new energy efficient boilers and controls, internal and external wall and roof insulation and solar panels.
35. The most cost-effective opportunities for carbon savings in the council stock are diminishing now that all properties have double glazed UPVC windows and all cavity walls have been insulated. However, any further reductions will help towards the city target and will improve energy efficiency for individual tenants and reduce fuel poverty.
36. The homes being built as part of our current housebuilding programme have been designed to maximise energy efficiency. Phase 1 of the newbuilds are being built to higher standard than current building control standards and Phase 2 of the new build programme will deliver a 70% improvement.
37. There are three areas of energy efficiency work to prioritise as funds become available. These are:
 - Completing external wall insulation on all suitable properties.
 - Installing individual meters for tenants on district heating schemes.
 - Doing specialist work on the hardest to heat houses. For example, those properties with small wall cavities which are not suitable for typical wall installation programmes.
38. Bidding is being prepared for the Green Home grant and this will include bids for funding for Solar PV and External Wall insulation. Another bid is being made for cavity wall insulation and a further bid being made towards decarbonisation of our housing stock for those in lower energy efficiency categories.
39. The technical Housing team are working with the Energy team to procure an organisation to lead on the decarbonisation of the Council housing stock by 2030. Other collaborative research work is also going on with De Montfort University.

Achievements in 2020/21 and proposals for 2021/22

40. During 2020/21 we continued our programme of installing more efficient boilers as boilers need replacing, increasing loft insulation to 250 mm and putting in double glazed windows and doors as demand arises. This work will continue in 2021/2022.

41. Approximately 2,900 properties are on our district heating scheme. These tenants can control the heat in their radiators. However, without individual heat meters they cannot be charged exactly for the heating and hot water they use. A pilot scheme of installing 50 meters showed that, on average, tenants saved 33% when they could see the link between their heating and hot water consumption and the bill they pay.

Priority Four – Providing appropriate housing to match people’s changing needs

Why is this a priority and what is our planned approach to achieving this?

42. Leicester is a city with relatively low household incomes. For many, renting from the council or a housing association is the only hope of a decent and settled home. In October 2020 there were 6,342 households on the Housing Register.

43. Right to Buy sales reduce the number of council homes available at an affordable rent. In 2019/20 we sold 409 homes. It is estimated that a much smaller number will be sold in 2020/21 due to the impact of Covid-19.

44. The most recent Housing and Economic Development Needs Assessment in 2017 identified that Leicester’s net affordable housing need is 786 additional affordable housing homes per year to meet current and future demand from households who cannot afford to enter the private housing market. The city’s average annual new supply of affordable homes has been less than a quarter of this need over the past 10 years.

45. Issues affecting our ability to provide new affordable housing include:

- The limited land available in the city for residential development (including for Affordable Housing). The council has been reviewing its landholdings and, as part of its new Local Plans process, inviting others to put forward sites in any ownership which might be suitable for development.
- The Government’s requirement that funds available to invest in the new supply of Affordable Housing from either Homes England’s programme or from Right to Buy receipts can only meet a portion of the total costs of new supply. Homes England funds and Right to Buy receipts cannot be used together towards the funding of any dwelling. The balance of the costs must be funded by other means.

46. Despite these constraints the Council has embarked on a new council house acquisition and building programme to help address housing need.

47. When a property, sold under Right to Buy, is placed back onto the market the council has the first opportunity to buy this property back before it goes onto the open market. We are increasingly taking this option to increase our supply of affordable housing.

48. 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 needs those adaptations.
49. The service also works closely with Children's Services to help looked after children, foster families, children leaving care and other vulnerable families.
50. 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 in rent arrears, those who have been previously homeless and those who have other problems which means they are not coping or complying with tenancy conditions.
51. Housing Officers undertake a programme of Welfare Visits to tenants who may be vulnerable. Since the pandemic, these have continued via the telephone. 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, well and enables us to act before a crisis point is reached.

What will we achieve in 2020/21 and what are we proposing for 2021/22?

52. The Affordable Housing Programme delivered 340 new homes in 2019/20 and it is predicted that 156 will be delivered by the end of 2020/21.
53. During the first phase of council housebuilding 29 properties will be built on Ambassador Road, Selby Avenue, Maplin Road, Brocklesby Way, Felstead Road and Rosehill Crescent at a cost of £4.6m. These developments have all now completed with the exception of Felstead Road which is due to complete in March 2021. . Phase 2 of house building is also being planned, with potential sites at The Velodrome and Lanesborough Road. Phase 2b and Phase 3 sites have been identified. In addition to this, two Adult Social Care extra care schemes are in development which will provide an additional 155 units.
54. In 2019/20 the council bought back 183 homes that had previously been sold through the Right to Buy scheme. Between April and October 2020, a further 63 have been purchased with offers made and accepted on 60 that are progressing through to completion.
55. During 2019/20, 382 minor adaptations took place in tenants' homes, such as ramps and door widening. There were also 153 major adaptations, such as level access showers, stair lifts and through floor lifts. This work will continue in 2021/22 in response to assessments by Adult Social Care.
56. Work has started on developing a scheme to undertake extension work at properties where households are experiencing overcrowding, rather than them having to move through the Housing Register to resolve the issue. We are currently reviewing our properties where there is overcrowding to establish the feasibility of carrying out this work. The project is being managed by the Overcrowding Steering Board, which

includes representatives from a range of key Housing services who will scope the most effective way to deliver on project aims. A homes extension fund of £500k has been made available to progress the scheme.

57. Vacant council and housing association properties are advertised through Leicester HomeChoice. Last year, 245 council tenants transferred within the stock to homes better suited to their need and 654 households became new council tenants. A further 347 households obtained housing association tenancies (excluding HomeCome). In the first 6 months of 2020/21, 77 tenants had transferred properties, there were 271 new tenants and 73 had obtained housing association tenancies (excluding HomeCome).
58. 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.
59. The Income Management Team continues to ensure rent is paid and tenants with arrears are given support to clear their debt. In 2019/20 a total of 98.55% of rent was collected, slightly less than 2018/19 due to the direct impact of the introduction of Universal Credit in Leicester. Total rent arrears at the end of 2019/20, stood at £2.036m. The team works closely with the Housing Benefits Service and make referrals for Discretionary Housing Benefit. In 2019/20 £389,327 in Discretionary Housing Benefit payments were made to council tenants.

Evictions are carried out as a last resort and during year 2019/20 a total of 37 evictions took place due to non-payment of rent. This figure is comparable to the same point in 2018/19 where the figure was 35. From the 19,869 current tenancies at the end of the year, this would amount to less than 0.2% percent (0.186%) of all tenants being evicted in the year.

There are now greater challenges to collect rental income with the ongoing roll-out of Universal Credit in Leicester and due to the current pandemic. The housing costs element of Universal Credit is paid directly to the claimant and therefore tenants will be responsible for paying the rent themselves, unlike previously where their housing benefit was paid directly to the council. By the end of the same financial year a total of 3,771 tenants were claiming Universal Credit. The Council has taken steps to mitigate the risk of increasing rent arrears by appointing Rent Management Advisors to support tenants make claims for Universal Credit and provide ongoing support where appropriate. In the last financial year, the Advisors supported a total of 447 council tenants. The Department of Work and Pensions has granted the Council Trusted Partner Status, enabling the Council to apply for managed rent payments directly to the Council for those tenants that are vulnerable.

Due to the current pandemic the Government imposed an eviction ban to prevent any risks impacting on public health, such as evictions resulting in homelessness. The ban was periodically reviewed and extended and lasted from 27th March 2020 to 20th September 2020. Moving forward, the Government has announced new temporary conditions they are putting in place to help courts determine how possession claims will be dealt with. Under the new rules, rental possession cases will not be listed or heard until the Council serves a 'reactivation notice' to tenants and file a copy in court. Within

the notice the Council must set out what knowledge we hold on the effect of the Coronavirus pandemic on tenant(s) and their household. Upon receipt of the notice the courts will consider if a hearing is reasonable and provide a hearing date if applicable. In addition to this, the Council will also be required to provide tenants full rent arrears history in advance of proceedings rather than at the hearing itself.

The Government announced that any Notices of Seeking Possession (NOSP), which is the first step of legal action against a tenancy, needed to be modified as per the Coronavirus Act 2020. This was also periodically reviewed and changed multiple times, with the most recent legal notices now being served with a 6-month expiry date as opposed to the previous 3-month rule. This applies to all cases until end of March 2021 and with the exception of those cases raising other serious issues such as those involving anti-social behaviour and domestic abuse perpetrators or rent arrears over 6 months. This presents significant challenges relating to those who persistently refuse to engage or pay rent. The team are encouraging conversations geared around support to help tenants financially with advice and guidance on income maximisation and, where applicable, offering the necessary referrals to supporting agencies. It's anticipated that the arrears performance will remain unstable and increases are expected due to the recent challenges

The Income Management team are working incredibly hard and continuing to achieve high performance despite the challenges faced and, at the forefront, is support for the tenants during this extremely difficult time to ensure their Income is fully maximised and any hardship is eased.

60. 91.1% of tenancies were sustained in 2019/20. This means that 91.1% of people who became new tenants in 2018/19 remained in their tenancy 12 months later. For the first quarter of 2020/21 this sustainment had increased to 93.3%. During 2019/20 STAR provided short term support to 1,416 tenants and longer-term support to 949, an increase of 436 cases from last year. In the first quarter of 2020/21 the STAR service was providing longer term support for 538 tenants and provided short term support for 632 tenants. The STAR service also provides an intensive package of support to help Syrian refugees settled into their new homes and improve pathways into employment.

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

What is our planned approach for achieving this?

61. Contracts are placed through the corporate procurement team which takes steps to use council spending to stimulate the local economy. All contracts have local labour and social value clauses.
62. The service will continue the excellent record of training craft apprentices so they can develop the skills and knowledge to join the workforce and help maintain the stock. Many steps are taken to encourage women and people from ethnic and minority backgrounds to join the craft workforce.

63. The Council's Leicester to Work initiative provides opportunities to the long term unemployed and work experience for school students, graduates and ex-offenders.

Achievements in 2020/21 and proposals for 2021/22

64. The total value of our contracts, funded through the HRA, is £132m in 2020/21. The Housing Division employs a workforce of just over 1000 staff funded through the HRA.

65. 5 property maintenance operatives finished their apprenticeship in 2020. There are 18 other apprenticeships in place running through to the end of 2022 and one other running through to 2023. They include the trades of Carpentry, Electrics, Plumbing, Plastering, Gas technicians and an HGV mechanic. In 2021 we are likely to recruit 12 new apprentices. Work has recently begun to see which trades they will be for.

66. In addition to the apprentices in the Repairs Service, we employed 9 people as apprentice Admin and Business Support Officers (ABS0) in 2019/20. ABS0 apprentices have also been employed by the Housing Options and Renewal and Grants Services. No apprentices have been employed by the Admin and Business Support Service this year so far, due to the pandemic.

67. Housing's Neighbourhood Improvement Scheme continues to help the long-term unemployed by giving pre-employment training and a period of work experience. During 2019/20, 10 people completed 6-month fixed employment contracts as Neighbourhood Improvement Officers and a further 10 people have started employment with the Council under this scheme. Their work on our estates includes painting, clearing overgrown areas, tidying unsightly spots, cleaning UPVC windows and removing rubbish.

Feedback from Consultation with Tenants' and Leaseholders' Forum

As a result of the Covid 19 restrictions in place, we were unable to hold a face to face meeting with members of the Tenants' and Leaseholders' Forum, as we would normally do, to consult on the Housing Revenue Account budget proposals for 2021/22.

However, to ensure all members had the opportunity to comment on the proposals, we sent the budget report out to the Forum on the 25th November 2020, for them to consider. In early December officers telephoned each member individually to discuss the proposals and to receive their feedback. This was followed up by a telephone meeting with the Tenants' and Leaseholders' Forum on the 10th December 2020, where a summary of the individual feedback was shared, and members were given the opportunity to add any more comments.

The feedback received is as follows:

Rents and Service charges proposals
1.5% increase in core council rents
There were mixed views on this proposal. Some Forum members accepted the rent increase was needed to enable the continuation of services. However, they raised concerns about the impact this could have, in terms of affordability, for people on low incomes. Four Forum members stated they did not agree with the proposal and all quoted the circumstances that the Covid 19 pandemic has brought, where people are already facing financial hardship as a result of this. One Forum member suggested the proposed increase should be reduced to 1%.
2% increase in service charges
The feedback received on this proposal was similar to that proposed for the rent rise. Some members accepted there needed to be an increase in charges to provide services, whilst others were concerned about the financial hardship tenants and leaseholders were already facing as a result of the Covid 19 pandemic.
1.5% increase in garage rents
Again, some members accepted there needed to be an increase in garage rents and agreed with the proposal, whilst others were concerned about the financial hardship people were already facing as a result of the Covid 19 pandemic. One member stated it would be particularly difficult financially, for those tenants facing a rent increase, who also rented a garage.
Re-alignment of Dawn Centre rents to reflect the cost of the services provided

On the whole people supported this proposal but wanted assurances that any rent increase would be eligible for benefits. One concern was raised about the impact on the Government needing to pay for additional benefit, when they are already facing financial difficulties with the Covid 19 pandemic. Another concern raised was around people's increasing reliance on benefit to pay rent, which could put them into a poverty trap, that could make them worse off if they secured employment.

Capital Programme proposals

An additional £150,000 on re-roofing to meeting the demand of properties needing this work

All Forum members supported this proposal.

£1.9m to be allocated in year 2 of the Public Realm improvement project (£5m over 3 years)

All Forum members supported the proposal to invest in public realm improvements. However, some members stated the funding should be distributed across the city, where there is most need, rather than focusing on one area.

Reduce the £1.2m budget on adaptations to council tenant's homes by £300,000. This work is demand led and the budget has been underspent in recent years. It is proposed the £300,000 saving is used to carry out adaptations to empty council properties to meet the needs of people needing these on the Housing Register

All Forum members supported this proposal.

Returning the fire safety work budget to £850,000. This was increased to £1m in 2020 / 21 to pay for additional work required, which will be completed by the end of this financial year

Generally, all Forum members supported this proposal. 1 member thought the original £850k should be increased to take inflation into account. Members wanted assurance that all necessary work would be completed to meet safety and legal requirements, even with money available returning to its original level.

It is proposed that £0.5m continues to be spent on converting tenanted properties to address overcrowding

All Forum members supported this proposal. One member stated the Council should also continue to build larger homes for those living in overcrowded situations.

£550,000 is to be allocated to improve our IT systems for mobile working of staff to improve services for tenants

Generally, this proposal was supported. Two members thought it was a lot of money to spend in this area and suggested work should take place to ensure current IT systems were fit for purpose. Another member stated money should

also be invested to ensure tenants without IT or the skills to use IT, have access to services as the channel shift initiative progresses.

£250,000 is to be made available to undertake a feasibility study to identify energy efficiency work in council homes as a result of the climate change emergency

There were mixed views on this proposal. Some members supported the proposals, whilst others raised concerns about the level of funding proposed just for a feasibility study.

It is proposed £200,000 is used to trial a replacement fencing programme on our estates

All Forum members supported this proposal. Some members stated that more should be done to make tenants financially accountable for repair work when they caused damage to fencing themselves.

It is proposed that £300,000 is used to refurbish our family temporary accommodation at Bridlespur Way

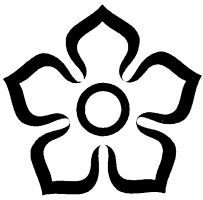
Generally, this proposal was supported. However, concerns were raised by some about the level of spend and it was asked whether all this money was needed to carry out the refurbishment. Comments were also made by a couple of members that households should be made financially accountable if they cause deliberate damage to the properties they are using as temporary accommodation. One member stated the money should be used to build new homes and not to refurbish existing properties.

It is proposed spend on kitchens and bathrooms remains the same at £3.6m

All Forum members supported the budget to continue replacing kitchens and bathrooms. One member suggested the budget should be increased as this work was a priority to tenants.

Door entry systems – no change to the budget of £150k

One member stated that security was important to people living in flats and that this budget should be increased to make further improvements to door entry systems.



Leicester
City Council

Appendix H

MINUTE EXTRACT

Minutes of the Meeting of the
HOUSING SCRUTINY COMMISSION

Held: MONDAY, 11 JANUARY 2021 at 5:30 pm

P R E S E N T :

Councillor Westley (Chair)
Councillor Nangreave (Vice Chair)

Councillor Gee
Councillor O'Donnell

Councillor Pickering
Councillor Willmott

* * * * *

108. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Aqbany.

109. DECLARATIONS OF INTEREST

The Chair declared an interest in item 7 "Housing Revenue Account 2021-2022 – Consultation" as members of his family lived in Council accommodation.

The Vice-Chair declared an interest in item 7 "Housing Revenue Account 2021-2022 – Consultation" as her partner lived in Council accommodation.

Councillor Pickering declared an interest in item 7 "Housing Revenue Account 2021-2022 – Consultation" as she lived in Council accommodation.

In accordance with the Council's Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillors' judgement of the public interest. They were not, therefore, required to withdraw from the meeting.

110. MINUTES OF THE PREVIOUS MEETING

AGREED:

That the minutes of the meeting of the Housing Scrutiny Commission on 23 November 2020 be confirmed as a correct record.

114. HOUSING REVENUE ACCOUNT 2021-2022 - CONSULTATION

The Director of Housing and the Director of Finance submitted a report, which asked the Commission to consider the proposed Housing Revenue Account (HRA) budget for 2021/22. It was confirmed that the draft report to Council, which was attached as an appendix, would be considered in February 2021.

The Director of Housing reported that the financial landscape of the four-year period from 2016 to 2020 was dominated by the government requirement that rents be reduced by 1% each year. Despite this pressure, it was noted that the HRA delivered balanced budgets.

It was reported that for the 5 years from 2020, rents were permitted to increase by up to CPI+1% and that whilst this relaxation helped to sustain a financially viable HRA and support investment in the housing stock, the continuing impact of Right to Buy (RTB) sales on rental income persisted.

The Commission was asked to;

- ix) Note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;
- x) Note the comments from the Tenants' and Leaseholders' Forum; and
- xi) Note rent and service charge changes for 21/22 as follows:
 - 1.5% increase to core rent;
 - 1.5% increase to garage rent;
 - 2.0% increase to service charges;

To provide further context, the Director of Housing referred to detailed information in the appendixes attached to the report to Council, including the comparison of council house rents to private rents in the city. It was also clarified and emphasised that 60% of the council's current tenants would not be affected by any rent increase, as they were in receipt of Universal Credit or other benefit. The average rent increase would only be £1.11 a week.

A breakdown of capital items was submitted and explained, with the continued investment in stock and the significant programme of Council House building /acquisitions being noted. The changes within the capital programme were summarised, and it was noted that the housing team worked closely with the Council's energy team in the delivery of the de-carbonisation agenda. Work with DeMontfort University in relation to ongoing research in this area of activity was also noted.

The Chair thanked the Director for his report and asked the Assistant City Mayor (Housing and Education) to comment. Councillor Cutkelvin stated that the achievement to deliver a balance budget year on year was remarkable, particularly alongside ongoing financial pressures and stated that the money from this increase goes straight back in to investing in properties. Cllr Cutkelvin reiterated that 60% of the most vulnerable tenants being unaffected. She also commented on the effect of Covid-19 on the service. In conclusion Councillor Cutkelvin emphasised that income from the HRA was utilised within the

department, with expenditure in the capital programme being invested in property improvement, including access to the STAR Service.

In response to comments, Councillor Cutkelvin also reiterated that the 40% of tenants facing a rent increase were also considered to be vulnerable, but that the most vulnerable would be unaffected. The issues of 'in-work poverty' becoming a greater issue and the increased use of foodbanks and additional external support was recognised.

Councillor O'Donnell suggested that the effect of rent increases on full-time workers with already stretched family budgets would be significant and should have received greater reference and consideration.

Councillor Willmott supported the view that the 40% affected would find the increase hard to find in family budgets. He also commented on the investment proposals and advised that he was not convinced of the requirement to invest further in IT provision, or to accelerate the work being undertaken in relation to climate change. He informed the Commission that if these items were removed from the programme, or had reduced ambitions, the recommended rent increase could be reduced to 1%.

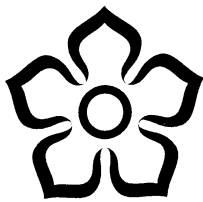
The Director of Housing was asked to respond. He reminded the Commission that should there be no increase approved over 1% then this would impact on potential for further investment in the housing stock and the budget would be required to be balanced. It was highlighted that rent increases could not be made retrospectively, and the investment capability would be permanently lost.

The Chair then commented on the severe impacts of the governments decisions and he thanked officers for their efforts in delivering a balanced budget year on year. He advised that he supported the recommendation adding that some tenants' representatives supported the proposed level of rent increases to ensure that future repairs and maintenance could be undertaken on the stock.

In conclusion the Commission noted the response circulated from the Tenants and Landlords Forum as part of the consultation.

AGREED:

That Council be informed that this Commission supports the budget for 2021/22 being set as a balanced budget, with a core rent increase of 1.5%.



Leicester
City Council

Appendix I

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 4 FEBRUARY 2021 at 4:00 pm

P R E S E N T:

Councillor Cassidy (Chair)
Councillor Joel (Vice-Chair)

Councillor Gee (sub for Councillor Halford)	Councillor Joshi
Councillor Kitterick	Councillor Porter
Councillor Waddington	Councillor Westley

In Attendance:

Sir Peter Soulsby	City Mayor
Councillor Clarke	Deputy City Mayor, Environment and Transportation
Councillor Cutkelvin	Assistant City Mayor, Education and Housing
Councillor Dempster	Assistant City Mayor, Health
Councillor Hunter	Assistant City Mayor, Tackling Racism and Disadvantage
Councillor Master	Assistant City Mayor, Neighbourhood Services
Councillor Myers	Assistant City Mayor, Jobs, Skills, Policy Delivery and Communications
Councillor Patel	Assistant City Mayor, Communities, Equalities and Special Projects
Councillor Singh Clair	Deputy City Mayor, Culture, Leisure, Sport and Regulatory Services

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137. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Halford. Councillor Gee was present as the appointed substitute for Councillor Halford.

The Committee noted that Councillor Thalukdar was present as a substitute Member.

138. DECLARATIONS OF INTEREST

Councillor Joshi declared an Other Disclosable Interest in the general business and budget items of the meeting in that his wife worked in the Reablement Team at the Council.

Councillor Westley declared an Other Disclosable Interest in agenda item Appendix D Draft Housing Revenue Account Budget (Including Capital Programme) 2021/22, in that some members of his family were Council tenants.

In accordance with the Council's Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillors' judgement of the public interest. They were not, therefore, required to withdraw from the meeting.

147. DRAFT HOUSING REVENUE ACCOUNT BUDGET (INCLUDING CAPITAL PROGRAMME) 2021/22

The Director of Housing submitted a report which set out the proposed Housing Revenue Account (HRA) budget for 2021/22. The Overview Select Committee was recommended to make any comments on the report, in particularly the proposals for delivering a balanced budget and the proposed changes to rent and service charges.

Councillor Cutkelvin, Assistant Mayor for Education and Housing introduced the report. She gave thanks to the Director of Housing, Finance Team, and the tenants and leaseholders for meaningful engagement. It was acknowledged there were still some significant pressures to the budget, not least from the cumulative impact with right to buy. What had been put forward was a balanced budget that continued to invest in the quality and standards of stock.

The Director of Housing presented the report and highlighted the following points:

- The headlines to the HRA budget proposal was that a balanced budget is proposed by recommending to only increase core rent by 1.5%, and service charge by 2%. On average tenants would see a £1.11 increase in their weekly rent.
- Appendix D, Page 44 set out that Leicester City Council had significantly low rents with them being almost 50% cheaper than private sector rental rates in Leicester.
- Over 60% of tenants would be unaffected by the proposal because they were in receipt of either housing benefit or universal credit.
- The Council has been legally bound for the past four years of having to reduce the rents by 1% each year whilst having to manage ongoing pressures. The proposed increase would help to address a number of budget pressures, as set out at Page 33, 4.21 in the report, namely:
 - Ongoing Right to Buy stock loss and associated rental income loss of £1.135million
 - Inflationary pressures of £1.676million

- In order to balance the budget it had been necessary alongside the proposed rent increase to identify and implement balancing items as outlined on Pages 34 and 35, 4.31 in the report. Headlines included:
 - Additional rent through properties acquired
 - A saving linked to the homes not hostels offer
 - Reductions to budget in repairs and gas materials, and the structural works budget.
- The overall proposed capital budget was £87.8million with £70million of the budget related to Council house acquisitions and new build, with the remainder mostly going into property improvements. The additional commitment would take the Council's investment into new council housing to £100million, set out in more detail in Appendix B, page 41 to the report.
- The Council would continue to invest at same level in existing stock with ongoing programs involving kitchen, bathroom or boiler replacements, and rewires.
- Main changes to the budgets included an increase in the roof budget of £150k to £900k linked to an increase in need for roof replacements. There was also a proposed decrease in the fire risk budget due to reduced demand following strong investment for a number of years in communal area programmes of fire related improvements.
- The capital budget included an ongoing budget proposal for public realm investment in the St Matthews and St Peters areas with £1.9million proposed to be invested in Council housing estates.
- A new budget was proposed to be added, linked to retrofitting to address fuel poverty and climate emergency on existing stock, outlined on Page 54, App F, priorities 37 – 39. The Technical Team in Housing were working with the Energy Team to procure an organisation to lead on the decarbonisation of Council's housing stock by 2030. There would be an additional capital budget need in future years for this work.
- It was proposed in the capital budget to add a budget associated to a pilot on new fencing piece of work that would help drive and determine what the council housing fencing strategy would be going forward.
- Included was an additional budget link to ongoing work to change the family temporary accommodation offer in moving to homes not hostels, and enhancing the Bridlespur Way accommodation offer.
- Attention was drawn to the financial pressure on the HRA proposals for delivering a balanced budget, and the consultation feedback at Appendices G and H from the Housing Scrutiny Commission, and Tenants and Leaseholders' Forum on Pages 60 and 63 in the report.
- It was noted that whilst there was reservation from both groups on the 1.5% rent increase due to the current economic climate, and the impact on vulnerable people, overall both groups supported the budget proposals, including the rent increase.

The Chair invited Members to comment.

Councillor Westley, Chair of Housing Scrutiny Commission welcomed the report which had received thorough scrutiny. Also, whilst no one wanted to see rent increases, tenants' representatives had welcomed the report and had noted the requirement to invest in the Council's housing stock.

In response to questions the following points were made:

- With regards to adaptations for those with disabilities, it was commented on that the budget was being reduced for existing disabled people with a view to putting £300k into a new budget for adapting properties. The Director responded that investment of over £1.2million in adaptations for existing tenants had been made for some years, and requests for adaptations were up-to-date. Some money could now be diverted for people who were waiting for properties due to the lack of adapted properties coming forward. £500k had already been put into the budget in relation to completing extensions as part of the acquisitions programme, along with a review of those most in need on the Housing register. It was stated the £300k was a starting point with a review for the need for additional funding going forward.
- The 2% increase in service charge was on all council tenancies and not just elected ones.
- It was noted that Border House was closed in February 2020. The pausing of any evictions over rent arrears had seen a reduction in family homelessness during the past year. During that period people had been moved on positively and gradually people had been moved out of Border House. It was further noted there were no plans to utilise the building and would receive corporate consideration as to what should happen to the site, but it would not be associated to housing the homeless. Information on when the decision was made would be provided to Councillor Porter.
- As an update, the purchase of Hospital Close had progressed well and the Council was at the point of tying up legal aspects, and was a prime example of utilising 170 units for those most in need that would probably have been knocked down if the Council hadn't stepped in to purchase them.
- For a 10-year period beyond the Council purchasing a property, there was a cost floor associated with buying them back under Right-to-Buy, namely the purchase price paid for the property.
- The priority to 'provide 1,500 more council, social and extra care homes' was referenced (Page 47). Since the manifesto commitment officers had been working hard to deliver to the commitment in the first year, and 340 units had been delivered, and there would shortly be a press release focussing on Ross Hill Crescent new build houses and other properties coming available. Work would continue over the four-year duration of the commitment and would try to exceed the 1,500 manifesto commitment.
- The priority to 'ensure that no-one has to sleep rough on our streets' (Page 47) was also highlighted, and it was stated that there were still people who were sleeping on the streets, even one camping outside of the Dawn Centre. It was noted on the annual count the authority had the lowest number of rough sleepers on the night for a number of years at 12 people. The Commission was assured the Council had the ability and capacity to take anyone in and the 'everyone in' offer continued. Sadly, it was reported there were some individuals who would not accept offers of accommodation or engage until there was a change in their own personal circumstances.
- Reference was made to a report from the Fire and Rescue Service around culture, ethnicity and response. The Director stated he would welcome a copy of the report. It was further noted the Council met regularly with Leicestershire Fire and Rescue Service over existing stock and had a strong relationship with them.

The Chair commented that there were report of people living in appalling private sector accommodation, and it was good to see Leicester City Council's public housing being looked after and invested in to a high standard.

The Chair noted the proposal for a balanced budget, and comments made by the Overview Select Committee, the views of the Housing Scrutiny Commission, and the Tenants and Leaseholders' Forum that the proposed rent increase was valid and ensured continued investment in housing stock.

AGREED:

That:

1. The report be noted.
2. The proposals for delivering a balanced budget, and the proposed changes to rent and service charges be noted.

Equality Impact Assessment (EIA)

Title of proposal	Housing Revenue Account Budget (including Capital Programme 2021/22)
Name of division/service	Housing
Name of lead officer completing this assessment	Helen McGarry, Programme Manager. Tel: 0116 4545129, helen.mcgarry@leicester.gov.uk
Date EIA assessment completed	11 th December 2020
Decision maker	Full Council
Date decision taken	17 th February 2021

EIA sign off on completion:	Signature	Date
Lead officer		
Equalities officer		
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 financial landscape of the four-year period from 2016 to 2020 was been dominated by the government requirement that social housing rents be reduced by 1% each year, which reduced income to the Housing Revenue Account by £3.1m per annum. For the 5 years from 2020 rents can be increased by up to CPI+1%. Whilst this relaxation is welcome, a number of other external pressures on the Housing Revenue Account Budget persist. These include the impact of increasing Right to Buy sales (where it is predicted £1.135m rental income will be lost during 2021/22) and inflation and staff cost pressures (which amount to an additional £1.676m for 2021/22.). To address the deficit that this creates it is proposed additional income / savings can be delivered in several areas including, increasing rent and service charges (£1.3m), additional rental include from new build and acquired properties (£0.9m) and savings associated with the closure of Border House (£247k), The Housing Revenue Account budget report recommends that the budget for 2021 / 22 is set as a balanced budget, continuing the approach of only drawing on reserves to fund time-limited or one-off schemes.

The Housing Revenue Account Budget report is proposing a 1.5% increase to the core rents of Council homes, which is the maximum increase allowed under the government's new criteria. As well as this rent increase for 2021 / 22 the report is recommending:

- Increasing service charges by 2%
- A re-calculation of Dawn Centre rents to align these with the actual running cost of the service
- Increasing garage rents by 1.5%

The cost of the Capital Programme for 2021/22 is proposed to be £47.81m, with £30m of this relating to the Affordable Housing Acquisition and New Build Programme. The following projects are those where it is proposed that changes will be made to the allocation of funding through this Programme:

- An additional £150k is being made available for re-roofing schemes to meet the demand of more properties requiring this work.
- As part of the 2020 / 21 budget setting process it was agreed that £5m would be made available over a 3-year period to undertake public realm improvement work. It is

proposed £1.2m of this will be allocated from reserves within the 2021/22 Capital Programme.

- The Capital Programme provides funding to carry out adaptation work in Council tenant's homes. This work is demand led and in recent years has been consistently underspent. It is proposed that the £1.2m budget for this is reduced by £300K. However, it is proposed that this money used to create a new budget for adaptations to properties for those on the Housing Register, to enable them better access to properties which meet their needs. £0.3m of the total funding for adaptations will be allocated from reserves, using capital underspends from 2020/21
- For 2020/21 the fire safety risk work was increased to £1m to undertake a higher volume of work required. Now this has taken place it is proposed the budget reverts to its original £850k for 2021/22.
- It is proposed that £0.5m continues to be added to the Capital Programme to enable the conversion of tenanted properties to address overcrowding.
- An additional £375k is being made available for improvements to IT systems, including increasing mobile working solutions. This increases the proposed spend allocation to £550k, for 2021/22.
- To support the work to address the climate change emergency it is proposed that £250k is made available during 2021/22 to enable feasibility work to take place to identify the most suitable and cost-effective energy efficiency work that can take place within our Council homes.
- It is proposed that £200k is made available to trial a replacement fencing programme on our estates.
- £300k is being made available to refurbish our family temporary accommodation at Bridlespur Way.

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 ensure that there is no barrier or disproportionate impact for anyone with a particular protected characteristic?
- Is this a relevant consideration? What issues could arise?

From this equality impact assessment no significant impacts have been identified.

b. Advance equality of opportunity between different groups

- How does the proposal/service ensure that its intended outcomes promote 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. 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.

The proposal to increase rents will affect all Leicester City Council tenants across the city. As of October 2020 approximately 9,000 tenants are in receipt of housing benefit (44.6%) and will continue to have their rent covered by their benefit entitlement. We are aware of 4,766 tenants who are in receipt of Universal Credit (23.6%). These tenants will have their housing costs covered by this benefit, even though the majority will be responsible for paying the full rent themselves. The negative impact of having to pay more rent will affect approximately 6,400 tenants (31.8%) who do not receive housing benefit or Universal Credit. The impact of the rent increase will be dependent on the tenants' financial situation rather than any protected characteristic.

Service charges are added to rent when improvement work has been completed in a property or extra services are provided, for example, new central heating systems. All

tenants who pay these charges will need to pay 2% more each week for these. The charge will depend on what improvement work has taken place over time at each property. Work is carried out as a result of the condition of a property through the capital programme and is therefore not based on a person's protected characteristic. Tenants in receipt of housing benefit will continue to have the majority of service charge payable covered by their benefit entitlement. Tenants in receipt of Universal Credit will also continue to have the cost of service charges included in their housing cost element of the benefit. The negative impact of having to pay more for service charges will affect approximately 31.8% of tenants who do not receive housing benefit or Universal Credit. The impact of the service charge increase will, in general, be dependent on tenants' financial situations rather than any protected characteristic. The exception is the service charge for district heating, which is not covered by Housing Benefit or Universal Credit. All tenants will have to pay this charge and any increase proposed. There are approximately 2,900 householders in the city on the district heating scheme. A high number of properties that are provided with district heating are located within the Centre area of the city. We know a higher proportion of BME households live in this area. However, the impact of the district heating charge will still be dependent on a person's financial situation rather than their protected characteristic.

The impact of the re-calculation of rents at the Dawn centre to align these with the actual cost of the service will impact upon single people and couples temporarily accommodated and also people who will use this facility in the future. Our records show the majority of people accommodated receive Housing Benefit or Universal Credit and therefore this additional charge will be covered by these benefits. The impact of having to pay these rents will be for those people who do not receive Housing Benefit or Universal Credit. However, we know there are low numbers of people in this situation using the service. The impact will be determined as a result of a person's financial situation and not as a result of a particular protected characteristic.

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 598 garages rented out, so the proposed 1.5% increase could impact upon these people, also other people who start to rent garages in the future. Our protected characteristic profiling information in relation to people renting garages is currently limited, so it is not known whether there will be a bigger impact on a particular group. However, the impact is more likely to be as a result of a person's financial situation and ability to pay the extra rent rather than as a result of having a particular protected characteristic.

The Housing Capital Programme generally benefits all tenants in the city. The proposed £30m to be spent on the Acquisitions and New Build Programme will benefit those people on the Housing Register. This housing will be offered to people based on their housing need and not as a result of their protected characteristics. The only exception to this is for those properties built that are fully accessible. This will have a positive impact for people on the Housing Register who have a disability, with greater access to properties that will meet their needs. Projects to improve individual properties are decided on their condition to meet health and safety regulations, rather than a protected characteristic of a tenant.

Decisions on the Capital Programme are based on the age of properties, the predicted lifespan of when items will need to be replaced and health and safety regulations. The impact for tenants will generally be positive as properties and areas are improved.

- Increased funding for re-roofing relates to properties across the city to meet health and safety requirements, all tenants effected will benefit from this work, not just those with a protected characteristic.
- Projects related to £1.9m allocation for Public Realm improvements will be determined as a result of the condition of flats and communal areas, the appearance / safety of our estates and through consultation with residents. The work will not be determined as a result of the protected characteristic of a particular group or groups. Where improvements are made the benefits will be felt by all tenants and residents living in the area. The work will be focusing on improvements within the Centre area of the city. We know a higher proportion of BME households live in this area. However, the impact of the improvements will be of benefit to all people, not just those with a protected characteristic.
- £0.3m reduction in the disabled adaptation budget will impact upon tenants with a disability protected characteristic. This work is demand led and only undertaken after assessment by Occupational Therapists. As there has been an underspend on this budget for the last few years it suggests the budget reduction would not impact upon the work undertaken for those that need it in the future. If demand did increase the impact could be that people would need to wait longer for work to take place. If this waiting time becomes unacceptable consideration should be given to review budgets in future years. From this saving, it is proposed that a new budget is set up for adaptations to properties for those on the Housing Register, to enable them better access to properties which meet their needs will impact upon those people. This will have a positive impact on people with a disability protected characteristic, as the length of time they have to wait to be offered a suitable property to meet their needs could be reduced. We have approximately 290 households on the Housing Register with a high medical need for re-housing and approximately a further 420 households who have a medium medical need for re-housing.
- The reduction in the fire safety risk work budget, to its previous level, will provide resources for the work required during 2021/ 22. The work required is identified through risk assessments and inspections of our properties and communal areas, not as a result a person's protected characteristic. Work undertaken will address safety concerns of all living in an area where the work takes place.
- .£0.5m budget allocation for property conversions will address the individual overcrowding situation of tenants irrespective of their protected characteristic. The properties where this work is to take place will largely be determined by the suitability of properties to be converted.

- The proposed £375k increase in budget for IT system improvements is internal funding to include increased mobile working opportunities for staff. The spend will have a knock-on benefit for all tenants, irrespective of their protected characteristic, providing a more flexible and responsive service to meet people's needs.
- The £250k being made available to identify the most suitable and cost-effective energy efficiency work that can take place within our Council homes to support the response to the Climate Change emergency will depend on the condition of our properties and will not be related to the protected characteristics of the households that live in these.
- Money spent to trial a replacement fencing programme on our estates will be dependent on the existing condition of fencing on our estates and not the protected characteristic of the households where this improvement work takes place.
- Accommodation at Bridlespur Way is used temporary house homeless families. The £300k proposal to refurbish the accommodation will provide a more appealing living environment for families that are housed there in the future. This will also have a positive impact on these households where children are living in poverty.

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 Northgate IT system (Appendix 1). This includes information on ages, ethnic origin, disability, gender, sexuality and religion. 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.

Information has also been extracted from the Housing Register.

5. Consultation

What **consultation** have you undertaken 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?

During February and March 2020, a council tenant satisfaction survey took place. Part of this exercise was to establish which services provided to council tenants are most important to them and what improvements on estates they wanted us to prioritise.

In order of priority, the services Council tenants felt were most important to them were:

- Carrying out repairs and maintenance
- Dealing with anti-social behaviour
- Asking residents how we can improve services
- Keeping neighbourhoods clean and tidy
- Letting empty properties
- Providing support and advice (e.g. welfare advice, financial help, help to move home)
- The upkeep of communal areas within blocks of flats and maisonettes
- Keeping residents informed
- Management of tenancies

In terms of improvements on our estates Council tenants prioritised these, in order as:

- Improved car parking
- External repairs and maintenance to properties
- Tackling anti-social behaviour and harassment
- External painting to properties
- Tackling crime
- Communal area refurbishment in flats
- Fence repairs
- Grounds maintenance (grass cutting and maintenance / removal of bushes and shrubs, improved security)
- Removal of rubbish and fly tipping
- Pathway repairs
- Improved local amenities (e.g. shops, transport links)
- Tidy gardens
- Removal of abandoned vehicles
- Increased recycling facilities
- Removal of graffiti

On the 25th November 2020 the draft Housing Revenue Account budget report for 2021 / 22 was sent to the Tenants' and Leaseholders' Forum members. In early December officers telephoned each member individually to discuss the proposals and to receive their

feedback. This was followed up by a telephone meeting with the Tenants' and Leaseholders' Forum on the 10th December 2020, where a summary of the individual feedback was shared, and members were given the opportunity to add any more comments. The feedback the Forum provided is contained within Appendix G of the budget report.

Areas of the feedback that specifically apply to this equality impact assessment are:

- Some Forum members raised concerns about the proposed rent and service charges increases, in light of the financial hardship some tenants are experiencing as a result of the Covid 19 pandemic. However, it was stated that this would impact upon people with a low income, rather than a protected characteristic.
- All Forum members were supportive of the re-alignment of the disabled adaptations budget that would reduce the £1.2m budget by £300k. They felt using this money to provide adaptations for those that need them on the housing register would support the appropriate re-housing of households who have members with a disability.
- Although the Forum members generally supported of the proposed £550k for IT systems to support mobile working, they felt some tenants who have no access to IT or lack IT skills, may be at a disadvantage with the introduction of more online services. This could particularly impact upon older people or those with a disability.

No other areas within the budget proposals were identified as having an impact on any group with a protected characteristic.

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 age people or older people or specific age bands

What is the impact of the proposal on age?

No potential impact

What is the risk of disproportionate negative impact on age?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Not applicable

b. Disability

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?

Tenants with a disability requiring adaptations may be impacted upon by the reduction in the disabled adaptation budget as they may need to wait longer for work to take place.

People with a disability who are waiting for re-housing on the Housing Register may be offered accommodation to meet their needs sooner. This will be as a result of money being made available to carry out adaptations on properties to enable their re-housing. Also, by building accessible properties through the Affordable Housing Acquisition and New Build Programme.

What is the risk of disproportionate negative impact on disability?

This is a low risk that tenants will be waiting longer for adaptation work to take place in their home. Recent annual underspends of this budget suggests demand can still be met with the reduced budget

What are the mitigating actions?

Monitor the demand for disabled adaptations and waiting times for work to commence following the assessment of need.

c. Gender reassignment

Indicate whether the proposal has potential impact on trans men or trans women, and if so, which group is affected.

What is the impact of the proposal on gender reassignment?

No potential impact

What is the risk of disproportionate negative impact on gender reassignment?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Not applicable

d. Marriage and Civil Partnership**What is the impact of the proposal on marriage and civil partnership?**

No potential impact

What is the risk of disproportionate negative impact on marriage and civil partnership?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Not applicable

e. Pregnancy and maternity

What is the impact of the proposal on pregnancy and maternity?

No potential impact

What is the risk of disproportionate negative impact on pregnancy and maternity?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Not applicable

f. Race

Given the city's racial diversity it is useful that we collect information on which racial groups are affected by the proposal. Our equalities monitoring form follows ONS general census categories and uses broad categories in the first instance with the opportunity to identify more specific racial groups such as Gypsies/Travellers. Use the most relevant classification for the proposal.

What is the impact of the proposal on race?

Tenants from a BME background in the Centre area of the City may be more impacted upon by the increased service charges for district heating

What is the risk of disproportionate negative impact on race?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

The Income Management Team to continue to monitor rent arrears and provide support for those people struggling to pay as a result of the increased charges.

g. Religion or belief

If specific religious or faith groups are affected by the proposal, our equalities monitoring form sets out categories reflective of the city's population. Given the diversity of the city there is always scope to include any group that is not listed.

What is the impact of the proposal on religion or belief?

No potential impact

What is the risk of disproportionate negative impact on religion or belief?

No group will be disproportionately impacted upon by this proposal

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?

No potential impact

What is the risk of disproportionate negative impact on sex?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Not applicable

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 work to improve the condition of properties and the environment of estates impact on all tenants.

b. Summarise why the protected characteristics you have not commented on, are not relevant to the proposal?

Not applicable

8. 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, ex armed forces, people living in poverty, care experienced young people, carers. 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?

Children living in over-crowded conditions may benefit from the proposals to convert properties to address overcrowding. Children in poverty will benefit from the refurbishment work that is to take place at Bridlespur Way

What is the risk of negative impact on children in poverty?

No group will be disproportionately impacted upon by this proposal

What are the mitigating actions?

Not applicable

b. Other vulnerable groups

What is the impact of the proposal on other vulnerable groups?

No potential impacts

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 impacts

What is the risk of negative impact on any other groups?

Not applicable

What are the mitigating actions?

Not applicable

9. 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.

No known impacts at present

10. 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:

The budget proposals continue to support the Human Right of protection of property / peaceful enjoyment

11. 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.
- .
- Monitoring and analysing complaints received
 - Feedback received from Tenants and Residents Associations and the Tenants' and Leaseholders' Forum
 - Progress on actions resulting from the equality impact assessment will be monitored and reviewed by the Senior Management Team within Housing.

12. 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
Actions are progressed to mitigate the potential negative impacts that are associated with the budget proposals	Monitor the demand for disabled adaptations and waiting times for work to commence following the assessment of need.		Ongoing
	The Income Management Team to continue to monitor rent arrears and provide support for people struggling to pay rent / service charges as a result of any increase.		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

City Council Decision

Treasury Management Strategy 2021/22

Decision to be taken by: City Council

Overview Select Committee: 4th February 2021

Council: 17th February 2021

Lead director: Alison Greenhill, Director of Finance

Useful information:

- Ward(s) affected
- Report authors: Mark Noble
Nick Booth
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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 2021/22 and for the remainder of 2020/21. (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. A substantial proportion can only be used to repay debt but (because of Government rules) we are usually unable to use this proportion to repay debt without incurring excessive cost. Thus, they are held in investments.
- 2.4 Interest rates have reduced substantially during 2020/21, but the Council's budget position for 2021/22 has been protected due to investments being made for periods of two years with other local authorities prior to these reductions.

3. **Recommendations**

- 3.1 The Council is recommended to approve this treasury strategy, which includes the annual treasury investment strategy at Appendix B. The strategy will become effective as soon as it is approved.
- 3.2 Members of Overview Select Committee are recommended to note the report and make any comments to the Director of Finance that they wish, prior to Council consideration

4. **Borrowing**

- 4.1 As at 31st March 2020, the Council had a total long-term debt of £180m. comprising £135m borrowed from the Public Works Loans Board (a

Government quango), and £45m from the financial markets. This position had not changed by 30th November 2020 and is not expected to change during the next year either.

- 4.2 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.
- 4.3 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 are largely static, until individual loans are due for repayment. As most of our debt is long term, with repayments due 27 to 56 years from now, we might expect to see little change in this level of debt.
- 4.4 Early repayment of debt used to be a tool at our disposal, but government rule changes made this prohibitively expensive for PWLB debt.
- 4.5 Best practice requires the Council to set certain limits on borrowing and investments, and these are provided at Appendix A.
- 4.6 In 2019 the Government increased the interest rates charged for borrowing from the Public Works Loans Board (PWLB) by 1% p.a. However, recently it has reduced them again though with a new provision barring Councils from borrowing “primarily for yield”. This is intended to stop the very small minority of Councils that had borrowed from the PWLB to purchase commercial properties on a large scale. This doesn’t include the City Council. Early repayment of debt, however, remains prohibitively expensive.
- 4.7 Given our high cash balances it is unlikely that the Council will need to borrow in the foreseeable future and one important consideration is that the interest rate foregone when cash balances are used in lieu of borrowing is less than the interest rate paid on new borrowing. However, we have to consider that currently long-term interest rates remain historically low and taking a long term view it may be cheaper to borrow now and not in the future when interest rates have risen. Accordingly, whilst the core assumption of this strategy is that no long-term borrowing will take place in 2021/22, it allows for the possibility that it does.
- 4.8 For many years the PWLB has been the dominant lender to local authorities, and this seems likely to continue. However, the Treasury Policy still grants sufficient delegated power to the Director of Finance to access new lenders if required.
- 4.9 One borrowing option for local authorities may be the Municipal Bonds Agency (MBA). It is owned by a group of sponsoring local authorities and exists to enable local authorities to borrow collectively. The recent reduction in PWLB rates means it is less likely we will borrow from this source. A more likely scenario is that we lend to other local authorities via the MBA.

5. **Investments**

- 5.1 The effort involved in treasury management now revolves almost solely around management of our cash balances. These fluctuate during the course of a year, and generally range from £250m to £300m dependent on circumstances (e.g. closeness to employees' pay day). In late autumn, cash balances had temporarily increased to £330m due to one-off Covid grants which were paid in advance of need, though they have since dropped.
- 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. Because of the punitive rules described above, we are not usually able to 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. The reserves position is described in the budget report
- 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. The financial crash of 2008, for instance, destabilised a lot of banking institutions which appeared credit worthy prior to this;
 - (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, including in the EU. Many commentators see a possibility that the position could deteriorate. The Brexit free trade arrangement removes one considerable cause of uncertainty, but with issues outstanding particularly in respect of the financial services sector.
- 5.6 Given the uncertainty of Brexit before Christmas and the possibility of no deal, the Council as a precautionary measure withdrew £44 million from EU domiciled Money Market Funds. Although our advisors did not expect a problem with such funds (and the potential issue was one of liquidity rather than security of our funds), they could give no guarantee of a smooth transition. Accordingly,

we placed short-term money in the Debt Management Office which guaranteed liquidity at the start of 2021 even with a disruptive Brexit, though at a (very small) cost.

- 5.7 In 2008, many Governments bailed out banks regarded as “too big to fail”. Since 2008, the world’s largest economies have implemented measures to make banks stronger, but also to reduce the impact if they do fail (and the cost to taxpayers). These measures would see institutional investors who have lent money (such as the Council) taking significant losses before there is any taxpayer support. In practice, these measures are likely to be invoked when a bank starts to run into trouble, before it actually fails. This process is known as “bail in”.
- 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-fenced” banks for larger businesses (including most Councils) and for other non-core banking activities, such as those involving financial markets.
- 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 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**, bank base rates are at 0.10%, and our advisors believe that they will remain extremely low for three years at least. In a pessimistic case, there is a risk that bank base rates could become negative like those in Switzerland. Indeed, short-term rates for less than 4 months have become negative at the Debt Management Office at rates as low as minus 0.11% (this affected us in respect of measures to protect our liquidity discussed above). This strategy permits investment at negative interest rates if the need arises.
- 5.12 Greater returns can be achieved by lending for longer periods, but this starts to increase the risks described above.
- 5.13 The details of our investment 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 investment strategy, and this will continue. No local authority has ever defaulted on a loan. We will 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.
- (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”);
- (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% which exceeds current cash returns of around 0.1%. Current investments were valued at are £8M. However, with such funds there is always a risk that values will decrease. Performance has recently been poor due to the impact of Covid on the economy, and no new investments have been made in 2020/21.

5.15 Unlike pension funds, we do not invest in company shares. However, there is a new market emerging 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 10 years at most.

5.16 The market for investments consistent with our investment time horizon is still emerging and we shall investigate opportunities as they arise. To the extent that such investments prove to be novel we can’t specify in advance the type of investments that we might make but any such investments would be rigorously assessed. Aspects of investments may be outside the knowledge and expertise of officers (for example the success of solar farms depends upon future sales of electricity into the National Grid) and we would take expert advice as appropriate. Other investments such as “real estate investment trusts” specialising in supported housing are more familiar and may need less specialist advice.

5.17 A maximum of £20M would be invested in all such investments.

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, and are 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 did downgrade the UK government to AA- from AA in March 2020 as a result of the significant weakening of the UK public finances caused by the impact of Covid 19.

7.3 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 and the Director of Finance will present a report to the City Mayor for his approval recommending revisions to the 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 2020/21 has seen increasing financial pressure on local authorities, with evidence that some may struggle to meet their minimum statutory obligations. The most prominent have been the situations of Northamptonshire and Croydon. In addition, some local authorities have been involved in very large investments in order to achieve income. These always carry risk, but the pandemic is likely to see some of these authorities suffer losses compared to budgeted income.

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, and believe that the credit worthiness of most local authorities remains strong.

8. Premature Repayment of Debt

- 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) is now usually non-viable for PWLB loans. We will take such opportunities if they present themselves at a sensible cost.
- 8.2 The reasons why our debt has 27 to 56 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.
- 8.3 We 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.
- 8.4 We would evaluate any other options that became available.

9. Management of Interest Rate Exposure

- 9.1 Whilst the treasury 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 borrowing. In practice we are mainly concerned about declines in interest earned on investments.
- 9.3 £21M of the loans recorded are “LOBO” loans where the lender has the periodic option to propose an interest rate increase which we have the option to decline, by repaying the loan. If such options were exercised by the lenders we would repay. This would only be viable for lenders if interest rates were higher than 5% (which is most unlikely).

10. Budget Implications of Very Low Interest Rates.

- 10.1 It should be noted that the current very low interest rates with base rate at 0.1% will have a significant impact on the Council’s treasury budget as the Council’s borrowing costs are fixed for many years whereas cash balances are generally lent out over much shorter periods. Our advisors do not expect interest rates to rise significantly in the near future.
- 10.2 The Council’s budgeted income from interest on investments has been protected in 2021/22 by a number of two-year loans given to other local authorities at the end of the 2019/20 financial year. These will save over £1m p.a. compared with current rates. Similar returns in 2022/23 will not be achieved unless rates increase.

11. **Treasury Management Advisors**

11.1 The Council employs Arlingclose as treasury advisors. Their performance has been good. The contract is due to be retendered in 2021.

12. **Leasing**

12.1 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.

13. **Financial and Legal Implications**

13.1 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.

14. **Background Papers**

14.1 CIPFA – “Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition”.

CIPFA – “Treasury Management in the Public Services, guidance notes for local authorities including police forces and fire and rescue authorities 2018 edition”.

MHCLG – “Statutory Guidance on Local Authority Investments (3rd Edition) (2018)”.

Treasury Policy. Report to Council 19th February 2020.

15. **Authors**

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Treasury Limits for 2021/2022

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 2021/22 and for the remainder of 2020/21 are:-

	£m
Borrowing	300
Other forms of liability	175
Total	475

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 2021/22 and for the remainder of 2020/21 are:

	£m
Borrowing	245
Other forms of liability	145
Total	390

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. A change in accounting policies originally planned for 2020/21 but now coming into effect in 2021/22 in relation to operating leases means that these items come onto the balance sheet and count as capital expenditure. Therefore, they will show as borrowing on our balance sheet. The Council has modelled the impact of this and therefore has included a £25m provision in our borrowing limits to allow for this accounting change.

8. 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	180
25 years and over	250

We would not normally borrow new loans for periods in excess of 50 years. In practice we don't expect to borrow at all.

Lower Limit

	£M
All maturities	0

9. 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

10. 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).

	31/03/2020 Actual £M	2020/21 Estimated Average £M	2021/22 Estimated Average £M	2022/23 Estimated Average £M	2023/24 Estimated Average £M
External debt	212	194	194	194	194

Treasury Investment Strategy 2021/22

1. Introduction

- 1.1 This Treasury Investment strategy complies with the MHCLG'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 the 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.

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	<p>Covers the largest UK banks and building societies.</p> <p>Covers non-UK banks operating in the UK and regulated in the UK.</p>		<p>No more that £100M will be invested in total with these institutions.</p> <p>Other than our bankers (Barclays) no more than £20m will be invested with one institution of which no more than £10m will be unsecured.</p> <p>£25m may be lent to Barclays, of which no more than £15m will be unsecured.</p> <p>New investments may be agreed up to 4 months advance.</p> <p>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.</p> <p>Minimum ratings as below. Other market intelligence will also be considered.</p>
Unsecured deposits	<p>Banks and building societies regulated within the UK</p> <p>Covers non-UK banks operating in the UK and regulated in the UK.</p>	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

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 rating bond rating of AA-
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 is 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:- <ul style="list-style-type: none"> • 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	<p>The UK Government.</p> <p>UK local authorities, including Transport for London (TFL), and bonds issued by the UK Municipal Bonds Agency.</p> <p>Bodies that are very closely linked to the UK Government or to local government such as Cross Rail.</p>		<p>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.</p> <p>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.</p> <p>No limit on amounts lent to the UK Government.</p> <p>New investments may be agreed up to 4 months in advance.</p> <p>In practice, we will be guided by our treasury advisors' views on appropriate investment periods.</p>
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.	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.
Bonds – Local Authority	Bonds issued by local authorities.	Up to 3 years.	Maximum periods for loans to local authorities will not exceed limits recommended by our treasury advisors.
Bonds – UK Municipal Bond Agency	Bonds issued by local authorities collectively through the UK Municipal Bonds Agency.	Up to 6 years.	<p>Minimum A+ credit rating.</p> <p>The agency is new 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.</p>

<p>Bonds – Bodies Closely Linked to UK Government</p>		<p>Up to 6 years.</p>	<p>Minimum A+ credit rating.</p> <p>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.</p>
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3.3 International Development Banks			
Type	Description	Investment Period	Controls
Bonds	<p>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.</p> <p>Examples are the European Investment Bank and the World Bank.</p>	Up to 6 years.	<p>No more than £40M to be lent in total and no more than £10M to be lent to any one bank.</p> <p>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.</p> <p>A minimum credit rating of AA- plus backing of one or more G7 country.</p>

3.4 Environmentally and Socially Responsible Investments			
Type	Description	Investment Period	Controls
	<p>Investments which facilitate environmental and social objectives. Encompasses a range of legal structures including:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>	Up to 10 years.	<p>No more than £20M in all such investments.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Such investments need not be rated.</p> <p>Where the legal structure of the investment is not a widely used one appropriate due diligence will be undertaken.</p>

3.5 Other Pooled Investments (General)			
Type	Description	Investment Period	Controls
General	<p>A structure where a wide base of investors share a common pool of investments.</p> <p>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.</p>		<p>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.</p> <p>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.</p> <p>The investment period will reflect advice from our Treasury Advisors on a fund by fund basis.</p> <p>We will be alert to "red flags" and especially investments that appear to promise excessive returns.</p> <p>We look for diversification away from the banks permitted elsewhere in this lending list (though some overlap is unavoidable).</p> <p>No more than £180M to be invested in aggregate in all type of pooled investments (short term, long term and property funds).</p>
3.5.1 Pooled Investments – Shorter Dated Investments			
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 immediate access to funds.	<p>Fitch rating of AAf (or equivalent).</p> <p>No more than £25M in any one fund except where our advisors recommend a lower figure.</p>

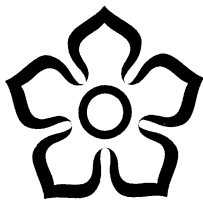
Short Dated Government Bond Funds	Similar to money market funds but mainly concentrated in highly credit rated government bonds.	Must have immediate access to funds.	<p>Whilst these are very safe the interest returned is very low. We may use these in times of market turmoil.</p> <p>Fitch rating of AAf (or equivalent).</p> <p>No more than £20M in any one fund.</p>
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.	<p>Fitch rating of AAf (or equivalent).</p> <p>No more than £20M in any one fund.</p> <p>We will "drip feed" money that we invest rather than investing it all at once.</p>

3.5.2 Pooled Investments – Longer Dated Investments			
Type	Description	Investment Period	Controls
General	<p>Longer dated investments expose us to the risk of a decline in value, but also provide an opportunity to achieve higher returns.</p> <p>Consequently, controls involve both the personal authorisation of the Director of Finance and consultation with the City Mayor.</p>		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).
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.	<p>Fitch rating of AAf (or equivalent). We may consider unrated funds on the recommendation of our Treasury Advisors.</p> <p>No more than £10M to be invested in any one fund.</p>
Asset Based Securities	<p>The base investments are “securitised investments” which pool consumer debt (mortgages, car loans and credit cards) and loans to small businesses.</p> <p>The base investments are loans to borrowers of good credit worthiness. They are a world away from the “sub-prime” investments that led to the 2008 crash.</p> <p>The investment we would make would be in a pooled investment containing a number of such securitised investments.</p>	Must have access with one month's notice but normally would wish to hold for two to three years.	<p>Fitch rating of AAf (or equivalent).</p> <p>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.</p> <p>No more than £10M to be invested in any one fund.</p>

	They are normally issued by banks (UK or overseas).		
3.5.3 Pooled Investments – Property Funds			
Property Funds	<p>The underlying investments are mainly direct holdings in property, but our investment is in a pool of properties.</p> <p>Whilst the fund normally has a small cash balance from which to fund redemptions the bulk of the fund is held in direct property investments. On occasions redemptions will not be possible until a property has been sold.</p> <p>Funds may have the power to borrow.</p>	Generally have access with three months' notice but normally would wish to hold for five years.	<p>No more than £30M to be invested in property funds. This limit applies within the global limit for pooled investments (£180m).</p> <p>Investment amounts and timing to be approved by the Director of Finance, in consultation with the City Mayor.</p>

4. **Business Models**

- 4.1 The Council has a “buy and hold” strategy for its investments that are bought and sold in financial markets. I.e. 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.



Leicester
City Council

Item 4.d.i

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 4 FEBRUARY 2021 at 4:00 pm

P R E S E N T:

Councillor Cassidy (Chair)
Councillor Joel (Vice-Chair)

Councillor Gee (sub for Councillor Halford)	Councillor Joshi
Councillor Kitterick	Councillor Porter
Councillor Waddington	Councillor Westley

In Attendance:

Sir Peter Soulsby	City Mayor
Councillor Clarke	Deputy City Mayor, Environment and Transportation
Councillor Cutkelvin	Assistant City Mayor, Education and Housing
Councillor Dempster	Assistant City Mayor, Health
Councillor Hunter	Assistant City Mayor, Tackling Racism and Disadvantage
Councillor Master	Assistant City Mayor, Neighbourhood Services
Councillor Myers	Assistant City Mayor, Jobs, Skills, Policy Delivery and Communications
Councillor Patel	Assistant City Mayor, Communities, Equalities and Special Projects
Councillor Singh Clair	Deputy City Mayor, Culture, Leisure, Sport and Regulatory Services

* * * * *

137. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Halford. Councillor Gee was present as the appointed substitute for Councillor Halford.

The Committee noted that Councillor Thalukdar was present as a substitute Member.

138. DECLARATIONS OF INTEREST

Councillor Joshi declared an Other Disclosable Interest in the general business and budget items of the meeting in that his wife worked in the Reablement Team at the Council.

Councillor Westley declared an Other Disclosable Interest in agenda item Appendix D Draft Housing Revenue Account Budget (Including Capital Programme) 2021/22, in that some members of his family were Council tenants.

In accordance with the Council's Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillors' judgement of the public interest. They were not, therefore, required to withdraw from the meeting.

150. TREASURY MANAGEMENT STRATEGY 2021/22

The Director of Finance submitted a report which proposed a strategy for managing the Council's borrowing and cash balances during 2021/22 (the Treasury Management Strategy).

Members of the Overview Select Committee were recommended to note the report and make any comments to the Director of Finance prior to Council consideration.

The Director of Finance reported that the report and following agenda item at 15 Investment Strategy did not significantly change from year to year but accompanied the budget report to Council which was required to approve them.

The following points were noted:

- The report outlined what the Council did with its money to keep it safe and make it work as safely as possible.
- In terms of cash flow, the authority was a cash rich organisation as a result of government rules where the authority was required to set aside money for specific reasons. The authority also received government grants before it was required to spend them.
- The Treasury Management Strategy set out the advice taken from leading national advisers and the sort of investments considered, and the types and credit rating of banks the authority would use.
- It was noted it was important to spread investments as no bank was too big to fail. The money had to be secure. Liquidity was also considered, in how easy could the money be accessed, for example, the monthly salary payments.

- Not the top priority, but how much the money could earn in an account was also considered.
- An amendment to the report was noted at 5.13 (a) 'We will lend on an unsecured basis to the largest UK banks and building societies for periods not exceeding 35 days' and was largely due to nervousness around Brexit. If treasury advisers notified the authority that it could lend for a longer period than it would.

In response to Members' questions, the following points were made:

- The Government Debt Management Office (DMO) was used when excess cash was left following dealings across the banks and other authorities. The DMO would only be used when there were no other investment opportunities, and the interest paid was less. It was reported in December 2020 the DMO was offering negative interest rates. The authority only had a very small amount of money with the DMO at that point which was quickly removed. The authority had been using banks and money market funds predominantly since then and would continue to look at and pay particular interest in what markets were looking at as commercial investors.
- Interest on investments was reported to OSC twice yearly. The Director of Finance informed members the information would be included in the next Revenue Budget Monitoring Report.

The Chair thanked the Director of Finance for the report.

AGREED:

That:

1. The report be noted.
2. Interest in investments be reported in the next Budget Monitoring Report brought to the Committee.

City Council Decision

Investment Strategy 2021/22

Decision to be taken by: City Council

Overview Select Committee: 4th February 2021

Council: 17th February 2021

Lead director: Alison Greenhill, Director of Finance

Useful information:

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- Report authors: Mark Noble
Nick Booth
- Author contact details: mark.noble@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 (sometimes a multiple of their net revenue budget).
- 2.2 The requirement to have an overarching investment strategy was introduced from 2019-20 onwards, so this is the third such report.
- 2.3 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 includes advances made to (or on behalf of) the Leicester and Leicestershire Enterprise Partnership (LLEP) for their purposes, if the Council or LLEP expects to make a return on the money: such advances may be made by the Council acting as accountable body or in its own right.
- 2.4 The Council also invests 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. The treasury management strategy also permits environmental and socially responsible investments.
- 2.5 The strategy excludes investment in new Housing Revenue Account (HRA) dwellings, as this is not done to achieve a return.

3. Recommendations

- 3.1 Members of Overview Select Committee are recommended to note the report and make any comments to the Director of Finance as wished, prior to Council consideration.
- 3.2 The Council is recommended to approve this Investment Strategy.

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 is primarily for income generation purposes, but also with an eye to providing a range of accommodation for businesses and for ensuring a presence in city centre retail. The properties in the fund are held for their commercial value and not 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. The portfolio includes 372 properties and 1105 lettable units which are available for commercial lease. It includes industrial units, shops, and other business premises located in the city with some agricultural holdings outside. Much of the estate has been owned by the Council for decades. The total value of the portfolio was estimated as of 31st March 2020 to be £113.6m and all purchases have been fully financed (i.e. there is no outstanding debt). Gross rental income for 2019/20 was £7.1m and the annual contribution to the General Fund was £5.1m. .
- (b) 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 and repayments are up to date.
- (c) A loan of £1.5m to Ethically Sourced Products Ltd. (of which £1.3m remains outstanding). This loan carries a return equivalent to 4% per annum and is due to be repaid by 2025. Repayments of this loan were suspended earlier in the year due to Covid, but have now resumed and are expected to be up to date by March 2021.
- (d) A loan of £0.6m to the Haymarket Consortium Ltd. was made to assist with the relaunch of Haymarket Theatre. This loan however has had to be written off following the Covid outbreak. The write-off was reported to Overview Select Committee on 3rd December 2020.
- (e) £8.4m has been approved to fund a hotel development at the Haymarket Shopping Centre, for which the Council will receive a revenue generating lease. Expenditure on the scheme is nearly complete with approximately £0.6m outstanding at the time of writing.

- (f) The Council has also approved expenditure of £5m to deliver 26,400 sq. ft of workspace at Pioneer Park. The scheme has attracted £2.15m of external funding. The medium-term impact on the Council's revenue budget is expected to result in a net surplus of over £100k p.a.
- 4.2 LLEP manages the "Growing Places Fund" which makes loans to businesses and other organisations for economic development. The total amount available is c.£12m. This fund does not come within the remit of this investment strategy, as the City Council has no financial exposure. (The original capital was provided by the Government, and there is now a revolving fund of new loans made as old loans are repaid. If there are defaults on the old loans, the fund simply stops revolving). The Council may seek LLEP's agreement to use the fund jointly with City Council loan funding, which helps mitigate risk.
- 4.3 A good example of a successful outcome was a loan of £4m made to support the relocation of Hastings Insurance to premises next to the railway station which was fully repaid in 2018/19. Interest of £0.6m was paid on top of the outstanding capital sum (equivalent to 10% per year) and Hastings increased the number of jobs in Leicester to 1,000.
5. **The Council's Overall Approach**
- 5.1 The Council encourages investment which enables us to reduce reliance on returns from cash (the treasury management strategy) and at the same time put to use sums which would be earning little interest to benefit the people of Leicester. However, the Council acknowledges the risk associated with such investment, and will ensure it is not left hostage to changing market fortunes.
- 5.2 In the case of the Corporate Estate, managers are encouraged to dispose of under-performing assets, and reinvest in higher earning assets, taking into account the opportunity for a sustainable financial return, risks and liabilities. New acquisitions can be funded by:-
- (a) Sale of existing, under-performing properties. These will be separately identified and approved by means of a decision of the City Mayor;
- (b) Prudential borrowing, subject to limits given below and necessary approvals.
- 5.3 The Council is prepared to take greater risks in the furtherance of this strategy than it would be with the treasury management strategy: this is because investment will never take place solely for financial motives (the only exception being enhancement of the property portfolio within the Corporate Estate as described above).
- 5.4 The Council's 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) – this is the lowest priority, and the Council accepts that such investments are less liquid than treasury management investments. We can live with this, because individual investments are small scale compared to the overall size of the Council. We have other (treasury) investments which are kept for liquidity: these exceed the value of our external debt.

5.5 Property acquired under this investment strategy will be located:-

- (a) In the case of the Corporate Estate, within the boundary of LLEP (usually, within the city);
- (b) If acquired for economic regeneration purposes, within or at the perimeter of the LLEP area;
- (c) If acquired for other reasons, normally within the city boundary, but may be elsewhere to better meet service objectives (for example, an investment in solar farms – the key consideration being best value from the site regardless of location; we may also join a consortium of other authorities to invest in facilities which serve all our purposes).

5.6 Individual investments can be funded by any of the following (or combination of the following):-

- (a) Grants/contributions from third parties (including LLEP) where the funding is provided at the third party's risk;
- (b) Capital or revenue monies held by the Council;
- (c) Business rates growth within Enterprise Zones;
- (d) 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" is unlikely to require genuine external borrowing as we have 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. This category includes prudential borrowing in anticipation of future business rates growth in Enterprise Zones.

5.7 Items (b), (c) and (d) together represent the Council's capital invested. Item (d) 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 "exposure".

5.8 The Council will not, at any one time, have exposure in excess of the following:-

	<u>£m</u>
On commercial or industrial property it owns	120
For loans to third parties (other than on behalf of LLEP)	20
For loans to third parties (on behalf of LLEP)	30
Enterprise Zone investments	30
For other investments	40

5.9 The Council will not have more than £150m of exposure in respect of all activity covered by this strategy. Thus it is not possible to reach the maxima in all the above categories.

5.10 Limits on total external debt are included in the treasury management strategy.

5.11 The Council can reduce its exposure, particularly if an investment is performing poorly, by writing down prudential borrowing using capital or revenue resources.

5.12 Where the Council has an option of utilising third party contributions at the Council's risk, the Director of Finance will determine whether or not this represents value for money as an alternative to prudential borrowing.

6. **What we invest in and how we assess schemes**

6.1 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. 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 in this section 6 (the limits at section 5 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.

6.2 All proposals will be subject to a financial evaluation, signed by the Director of Finance. 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 reported in the decision report. For small purchases of property within the Corporate Estate Fund, 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.

6.3 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.

6.4 The maximum prudential borrowing permitted for any given investment will be:-

	<u>£m</u>
• For purchases intended solely to improve the financial performance of the Corporate Estate	5
• All other cases	10

6.5 Advances to third parties will require additional security where the total capital invested by the Council exceeds £2m, e.g. the underwriting of risk by a third party (such as another local authority in the LLEP), a charge on property with a readily ascertainable value and a number of potential purchasers, or a commitment from LLEP to a percentage of anticipated rates growth.

6.6 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). Except where a purchase is solely to improve the financial performance of the Corporate Estate, return will be measured by net present value (disregarding external contributions):-

- (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 3% 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 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.

6.7 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.

6.8 The following are deemed to be suitable investments:-

- (a) Acquisition of commercial or industrial property;
- (b) Construction or development of commercial or industrial property;
- (c) Construction or development of non-HRA housing;
- (d) Acquisition of land for development;
- (e) Infrastructure provision at key development sites;
- (f) Loans to, or on behalf of, the Leicester and Leicestershire Enterprise Partnership to support its objectives;
- (g) Loans to businesses to support economic development;
- (h) Acquisition or construction of low carbon energy investments.

6.9 All investments and loans must be state aid compliant.

6.10 Acquisition of commercial or industrial property can be considered where:-

- (a) There is a tenant of sufficient quality; or strong evidence of market demand for the property (e.g. identified end use, or small tenanted units with a ready supply of prospective tenants); or the property generates other reasonably assured income; and
- (b) There is the prospect of capital appreciation and a ready market for the Council's interest (or there will be a ready market at the end of the investment period); and
- (c) There are either economic development or service reasons why the city would benefit from the council's ownership, or the acquisition improves the performance of the Corporate Estate. An example of economic development reasons might be to facilitate a significant business relocation to the city or surrounding area.

6.11 Construction or development of commercial or industrial property can be considered 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.

6.12 Construction or development of non-HRA housing can be used to develop sites and provide housing for sale. It is an alternative to disposal of un-developed land for a capital receipt and may take place through a wholly owned housing company. Investment would be made into the company, either through equity or loan capital. Alternatively, we may want to invest in non-HRA housing to let, creating an institutional private landlord.

6.13 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.
- 6.14 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.
- 6.15 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 unlock strategic housing or commercial development on economic growth sites, or contribute towards bringing forward linked developments.
- 6.16 Advances of funding or loans to LLEP (or on behalf of LLEP) can take place to support economic development in the city or LLEP area. Such advances can be considered to support the LEP's strategic plan, subject to confidence that money will be returned through business rate growth, other LLEP finance, or underwriting by the project owner.
- 6.17 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).
- 6.18 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.

7. **Monitoring of Investments**

7.1 Except where the City Mayor decides (after consulting OSC) that an investment can be monitored in aggregate as part of the Corporate Estate, the following measures will be used to monitor performance of all investments. Performance will be reported annually:-

- (a) Achieved return on capital invested;
- (b) Capital appreciation;
- (c) Timely receipt of returns;
- (d) Write offs/write downs;
- (e) Jobs or other outputs created.

7.2 The monitoring and performance of the Corporate Estate will be reported separately as part of the Corporate Estate Annual Report. As a minimum, the report will include the following performance indicators:-

- (a) Voids;
- (b) Gross return;
- (c) Net return;
- (d) Bad debt;
- (e) Capital appreciation.

7.3 The Corporate Estate will be monitored in its entirety. Measures for individual acquisitions are not set.

8. **Capacity, Skills and Culture**

8.1 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.

8.2 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.

9. Financial and Legal Implications

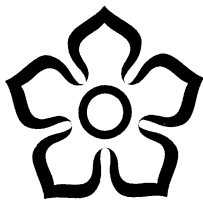
- 9.1 The proposals are in accordance with the Council's statutory duties under the Local Government Act 2003, and statutory guidance.

10. Background Papers

- 10.1 CIPFA – Treasury Management in the Public Services, Code of Practice and cross sectoral guidance notes 2017 edition.
- 10.2 MHCLG – Statutory Guidance on Local Government Investments (3rd Edition) (2018).
- 10.3 HM Treasury – Public Works Loan Board future lending terms November 2020.

11 Author

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Leicester
City Council

Item 4.e.1

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 4 FEBRUARY 2021 at 4:00 pm

P R E S E N T:

Councillor Cassidy (Chair)
Councillor Joel (Vice-Chair)

Councillor Gee (sub for Councillor Halford)	Councillor Joshi
Councillor Kitterick	Councillor Porter
Councillor Waddington	Councillor Westley

In Attendance:

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Councillor Clarke	Deputy City Mayor, Environment and Transportation
Councillor Cutkelvin	Assistant City Mayor, Education and Housing
Councillor Dempster	Assistant City Mayor, Health
Councillor Hunter	Assistant City Mayor, Tackling Racism and Disadvantage
Councillor Master	Assistant City Mayor, Neighbourhood Services
Councillor Myers	Assistant City Mayor, Jobs, Skills, Policy Delivery and Communications
Councillor Patel	Assistant City Mayor, Communities, Equalities and Special Projects
Councillor Singh Clair	Deputy City Mayor, Culture, Leisure, Sport and Regulatory Services

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Councillor Joshi declared an Other Disclosable Interest in the general business and budget items of the meeting in that his wife worked in the Reablement Team at the Council.

Councillor Westley declared an Other Disclosable Interest in agenda item Appendix D Draft Housing Revenue Account Budget (Including Capital Programme) 2021/22, in that some members of his family were Council tenants.

In accordance with the Council's Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillors' judgement of the public interest. They were not, therefore, required to withdraw from the meeting.

151. INVESTMENT STRATEGY 2021/22

The Director of Finance submitted a report which on the Investment Strategy 2021/22 which defined the Council's approach to making and holding investments, other than those made for normal treasury management purposed, the latter of which was described in the Annual Treasury Management Strategy.

Members of the Overview Select Committee were recommended to note the report and make any comments to the Director of Finance prior to Council consideration.

The Director of Finance presented the report and made the following points.

- A couple of years ago the Government were nervous about some councils investing heavily in property and recommended that councils should have an Investment Strategy so it was very clear and Council approved what could and could not be done by the council and thresholds around it.
- The report was very similar to the previous year. It was noted the council would invest in property to generate income but the investment would remain in the local economic area. Examples of investments were set out in the report and included Leicestershire County Cricket Club who were supported through a secure loan which was backed by the English Cricket Board.
- Other schemes highlighted included Ethically Sourced Products and a company that needed to move to larger premises to continue to grow.
- The security of the investment remained the number one priority.

In response to Members' questions the following points were made:

- Reference was made to the £600k lent to the Haymarket Theatre Consortium which was lost, and if consideration had been given where there wasn't an

asset a charge could be put on to ask for personal guarantees which was a standard practice with banks. The meeting was informed that personal guarantees had been used particularly with the authority's role with LLEP as accountable body, but were fraught with difficulties and could mean the difference between someone wanting to continue with a scheme, but could also force an individual into a bankruptcy situation and was not something done lightly, but are certainly a tool to consider.

- The Cricket Club was a good example, in that they had offered a charge on the ground but because of planning constraints the Council would not have been able to sell or develop the property to recoup its money. A tripartite agreement had been reached with the English Cricket Board. Initially £700k had been lent then £1.7million, with a reasonable 5% return and an asset maintained in the city. If there had been an issue with the club in the future, the English Cricket Board would pay the balance of the loan. It was confirmed the Cricket Club had not been approached about cheap finance but had approached the Authority as a significant partner with new leadership at the club.
- Travelodge was complete but had delayed opening due to the current Covid-19 situation. No money had been given to the Authority to date. It was further pointed out that hoteliers rarely owned their assets and had long leases on hotels being common industry practice.
- With regards to the performance of the corporate estate because, the valuation basis most often seen was for the purposes of the annual accounts unlike the private sector. It was reported that the value in commercial terms was about £133million. Questions from the Mayor had led to a piece of work underway towards a report to Council on the performance of the corporate estate and policies employed, to see whether the authority was getting a decent return when benchmarked against other local authorities and potentially other commercial property landlords.

The City Mayor confirmed the report was near to completion and would be available to Members and the public within a matter of weeks and would be the first of an annual report on the portfolio. He added it was important because of the income and contribution to the revenue budget.

The City Mayor further noted that with the Travelodge, the Authority had not given them any money, but had invested in an asset that would provide the Authority with an income, had brought the building back into use and regenerated the Haymarket Centre of which it was a part. The City Mayor confirmed the deal had been sealed with Travelodge in December 2020 and a commencement date agreed on when they would begin the income stream to the Council regardless of when they opened.

The City Mayor further informed the meeting the Haymarket Theatre was left abandoned before he was elected as Mayor and had drained resources from the Council. The Council had invested in the theatre, with the overall majority of the investment secured and was an additional asset to the city.

- It was asked how many council housing tenants were in arrears because of Covid-19. The Director of Finance would write to Members with the details.

- A reference was made to the investment by the Council in Pioneer Park which was seen as positive investment aimed at creating employment and business and was expected to bring a net surplus of £100k per annum. It was asked if the Council could pursue this sort of strategy. The Director of Finance agreed it there could be more investment of this kind in the City's own economic area. Councillor Myers, Assistant City Mayor also noted it was a model that had worked very well at LCB Depot also, where a particular sector of the economy had been targeted, the space had been managed really well, had brought businesses to the city and returned a profit for the Council.

The Chair thanked the Director of Finance for the report.

AGREED:

That:

1. The report be noted.
2. The Director of Finance to write to Members with details of tenants in rent arrears due to Covid-19.