Leicester
City Council

MEETING OF THE OVERVIEW SELECT COMMITTEE

DATE: **THURSDAY, 9 FEBRUARY 2023**
TIME: **5:30 pm**
PLACE: **Meeting Rooms G.01 and G.02, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ**

Members of the Committee

Councillor Cassidy (Chair)
Councillor Gee (Vice-Chair)

Councillors Batool, Halford, Joel, Joshi, Pantling, Porter, Thalukdar and Westley

Youth Council Representatives

To be advised

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

JMann

For Monitoring Officer

Officer contacts:
Francis Connolly (Scrutiny Policy Officer)
Jacob Mann (Democratic Support Officer)
Tel: 0116 454 5843, e-mail: jacob.mann@leicester.gov.uk
Leicester City Council, 115 Charles Street, Leicester, LE1 1FZ

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PUBLIC SESSION

AGENDA

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

3. CHAIR'S ANNOUNCEMENTS

4. MINUTES OF THE PREVIOUS MEETING **Appendix A**

The minutes of the meeting of the Overview Select Committee held on 15 December 2022 are attached and Members are asked to confirm them as a correct record.

5. PROGRESS ON ACTIONS AGREED AT THE LAST MEETING

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

6. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

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

Council's procedures.

7. PETITIONS

The Monitoring Officer to report on any petitions received.

8. TRACKING OF PETITIONS - MONITORING REPORT Appendix B

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

9. DRAFT REVENUE BUDGET Appendix C

The Director of Finance submits the Draft Revenue Budget 2023/24 which will be considered by Council on 22 February 2023.

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

Adult Social Care – 19 January 2023 (**Appendix C1)**
Children, Young People, and Education – 24 January 2023 **(Appendix C2)**
Economic Development, Transport, and Climate Emergency – 26 January 2023 (**Appendix C3)**
Health and Wellbeing – 17 January 2023 **(Appendix C4)**
Heritage, Culture, Leisure, and Tourism – 10 January 2023 **(Appendix C5)**
Neighbourhood Services – 12 January 2023 **(Appendix C6)**

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

10. DRAFT CAPITAL PROGRAMME Appendix D

The Director of Finance submits the draft Capital Programme for 2023/24, which will be considered by Full Council on 22 February 2023.

The draft minute extracts detailing the respective Scrutiny Commissions' discussion on the draft Capital Programme report are included under the Draft Revenue Budget agenda item:

Adult Social Care – 19 January 2023 (**Appendix C1)**
Children, Young People, and Education – 24 January 2023 **(Appendix C2)**
Economic Development, Transport, and Climate Emergency – 26 January 2023 (**Appendix C3)**
Health and Wellbeing – 17 January 2023 **(Appendix C4)**
Heritage, Culture, Leisure, and Tourism – 10 January 2023 **(Appendix C5)**
Neighbourhood Services – 12 January 2023 **(Appendix C6)**

The Overview Select Committee is recommended to consider the report and pass its comments on to the meeting of Council for consideration.

11. TREASURY MANAGEMENT STRATEGY 2023/24 — Appendix E

The Chief Operating Officer submits a report that proposes a strategy for managing the Council's borrowing and cash balances during 2023/24 and for the remainder of 2022/24 (Treasury Management Strategy). Members of the Overview Select Committee are recommended to note the report and make any comments to the Chief Operating Officer that they wish, prior to Council consideration.

12. INVESTMENT STRATEGY 2023/24 — Appendix F

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

13. KEY STRATEGIC PRIORITIES — Appendix G

The Director of Delivery, Communications, and Political Governance submits a report outlining a presentation from the Assistant City Mayor for Jobs, Skills, Policy Delivery and Communications setting out a summary of progress in relation to the key strategic priorities and commitments of the Council.

The Committee is invited to comment on the achievements and progress made in relation to the key strategic priorities and to seek any further clarification needed on any areas.

14. QUESTIONS FOR THE CITY MAYOR

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

15. OVERVIEW SELECT COMMITTEE WORK PROGRAMME — Appendix H

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

16. ANY OTHER URGENT BUSINESS

The Chair has advised that a report on the Draft Housing Revenue Account Budget for 2023/24 will be considered at the meeting as a matter of urgency. The report will be circulated as soon as it is available.

The Overview Select Committee is recommended to consider the report and pass its comments on to the meeting of Council for consideration.

Appendix A

Leicester City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 15 DECEMBER 2022 at 5:30 pm

PRESENT:

Councillor Cassidy (Chair)

Councillor Batool
Councillor Joshi
Councillor Porter
Councillor Westley

Also present:

Sir Peter Soulsby	City Mayor
Alretaj Al-Showali	Youth Representative
Dena Al-Showali	Youth Representative
Henry Zawadzki	Youth Representative

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58. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Gee, Halford, and Pantling.

59. DECLARATIONS OF INTEREST

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

Councillor Joshi declared under the review report from Adult Social Care that his wife worked for the Reablement Service.

60. CHAIR'S ANNOUNCEMENTS

The Chair announced that the questions for the City Mayor item would be taken out or order, directly following the cost-of-living crisis update.

61. MINUTES OF THE PREVIOUS MEETING

AGREED:

That the minutes of the meeting held on 3 November 2022 be confirmed as a correct record.

62. PROGRESS ON ACTIONS AGREED AT THE LAST MEETING

The Chair noted that Commission Members had received a note detailing the progress on actions agreed at the last meeting.

63. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer reported that no questions, representations and statements of case had been submitted in accordance with the Council's procedures.

64. PETITIONS

The Monitoring Officer reported that no petitions had been received.

65. TRACKING OF PETITIONS - MONITORING REPORT

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

AGREED:

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

66. COST OF LIVING CRISIS UPDATE

The Director of Public Health gave a presentation on the Council's response to the ongoing cost-of-living crisis. It was noted that:

- A major area of focus was on emergency food provision. As part of this work the need for infant formula had come up, so work had been done to ensure that food banks had supplies of infant formula when needed.
- There was also a focus on the warm welcome offer, this was available at all 16 city libraries and other venues. A number of programmes were available as a part of this offer were available including cooking seminars.
- The Better Off Leicester website provided tools and advice to help save money.
- The Council was coordinating with the NHS and universities on this crisis.
- A Leicester-specific energy advice service was in the process of being launched. The Council was coordinating with the national Energy Advice

Service on this.
- A dashboard had been created to examine the impact of the crisis. The dashboard showed that the biggest price increases were in energy and food, and that money was being cut back on transport.
- The dashboard also showed that BAME communities were the most impacted by the crisis, single mothers were hard hit. Families with and without children were struggling.
- Friends of the Earth had identified a number of energy crisis hotspots in the city.
- The Bank of England had just raised interest rates by another 5%.

In response to questions raised by Members and Youth Representatives, it was noted that:

- There was a food programme for the school holidays, those in need of this could contact the schools and the schools could make referrals. This was provided in collaboration with local business. A number of schools were running food banks.
- Support for those with no recourse to public funds was limited, however this was not cause for someone to be turned away from a food bank.
- Housing Officers were working to support those refugees in Leicester who had financial struggles.
- Food banks were individual organisations so therefore had their own policies on eligibility. Food banks had asked the Council not to widely publicise them in order to not overly increase demand. Food banks did work with Ward Councillors, so Councillors could make referrals.
- Activities at warm hub events were being delivered in collaboration with the Adult Learning Officers.
- The Better Off Leicester website was intended to help people who were ‘just about managing’ to find savings and find out which support they were eligible for. There were a number of support pots which were underused due to not being widely known about.
- The Foodshare Service helped distribute unused food from shops and restaurants.
- There was funding available from Government to help with improving energy efficiency in homes.
- Building regulations on energy efficiency would not be applied retrospectively. It was expected that many of the new houses being built in the city would meet any new energy efficiency certificates.

AGREED:

1. That the Committee requests that Members be informed of how Government support to improve energy efficiency in homes is being publicised by the Council.
2. That the Committee requests that Members be informed of how new homes being built in the city will meet current and future energy efficiency requirements.
3. That the Committee requests that Members be informed of information

of employment rates in the areas of greatest deprivation in the city.

67. QUESTIONS FOR THE CITY MAYOR

The Chair asked the City Mayor what the extent of Strep A was in Leicester, given the recent high number of cases nationally, and what was being done to raise awareness of the condition.

The Director of Public Health responded to the question, noting that there had been no notification of any cases in the city. It was noted that it was likely that due to the Covid lockdowns of previous years, people's immune systems were weaker due to the lack of social mixing, explaining the recent uptick in Strep A. It was noted that these cases were well publicised by the NHS and national media, therefore awareness was high. Parents were encouraged not to panic regarding the situation.

Councillor Batool asked the City Mayor what was being done to raise awareness of the dangers of ice after an incident in Solihull. The City Mayor noted that the Council was giving advice on these dangers to younger people and putting up signage around lakes.

There was debate around whether or not questions to the City Mayor needed to be submitted in advance or could be asked without notice at the meeting. The Chair requested that Officers clarify the rules around this for the next meeting.

The Chair permitted Councillor Porter to ask a question. Councillor Porter asked the City Mayor that if he were successful in being re-elected in May 2023, whether or not it would be his final term in office. The City Mayor stated that although he did not intend to go on in the job forever, he would not yet be announcing his retirement date.

AGREED:

That the Committee requests that Officers clarify the position regarding the need to submit questions for the City Mayor in advance of the meeting.

68. CENSUS AND LEICESTER HOUSEHOLD SURVEY REPORT

The Director of Delivery, Communications, and Political Governance submitted a report to provide the Committee with an overview of the results of the 2021 Census in Leicester and the Leicester Household Survey 2021.

The City Mayor presented the item, noting that the Leicester Household Survey was conducted in late 2021 with the intention to fill in the gaps of the data from the Census, with a particular focus on the availability of technology and financial circumstances. Council Services would be asked to consider how the findings of the Survey could be used to improve Services.

The Corporate Data Consultant presented the item, it was noted that:

- The commination of data from the Census and the Household Survey provided a comprehensive picture of the people of Leicester.
- Data from the Census and Survey would inform the work of Council Services for the next 10 years.
- The National Census was taken every 10 years, data from the 2021 Census was being released in phases. More in-depth analysis would be possible once further data was released in Spring 2023. All data from the Household Survey was available now.
- The Survey findings were presented in a headline findings report and a more detailed breakdown was possible on the Open Data platform.
- The Census determined Leicester's population to be 368,000, an 11.8% increase, this was a larger increase than the national average and most comparable cities. 41% of Leicester residents were born outside of the UK, with a large increase in the levels of migration from Europe.
- The Survey found that 95% of Leicester households had access to the internet, however there were many more who struggled with using the internet for certain tasks.

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

- The Survey was mostly focused on financial circumstances and other adult-focused issues, which was way under-18s were not asked to fill in the survey. There had recently been a children's survey which was focused on the issues impacting young people. Data on that survey would be available in the following months
- Due to the delay in the release of data from the Census, Census results were not a 100% up to date picture, particularly in relation to travel to work data which would have changed following the lifting of Covid restrictions. However Census results were some of the highest quality information available on topics such as ethnicity.
- The Council would be making the case to Government for more funding based on the increased population and diversity in Leicester shown in the Census results.
- Those conducting the Survey were upfront about the nature and purpose of the Survey. Those conducting in-person surveys were drawn from the communities they were surveying.
- 3.3k people responded to the survey and were a representative sample. This was a good response level.
- Council Tax was included in questions about hierarchy of bills, there was not a question about Council Tax directly, but the burden of utility bills was asked about in question 27.
- The Council supported the Armed Forces Covenant, which aimed to remove disadvantages for armed service personnel past and present.
- Those who struggled to use technology could access Council Services at the Customer Service Centre. However, due to a lack of demand the

Centre was only open 2 days a week. The opening hours for the Centre were under constant consideration. The majority of demand in Customer Services was in phone calls.
- Ward level data was available for the Census but not for the Survey.

Councillor Porter raised concerns about the burden of Council Tax not being asked about in the Survey and noted the increases in Council Tax in recent years. The City Mayor responded to this by stating that Council Tax was a burden in all parts of the country and was not impacted by political control.

AGREED:

That the Committee notes the report.

69. HAYMARKET SHOPPING CENTRE UPDATE

The Director of Estates and Building Services submitted a presentation on the current position Haymarket Shopping Centre, which was purchased by the Council in November 2021.

The City Mayor introduced the item, noting that it had been a year since the purchase and that the success of the Centre was important for the Revenue Budget.

The Director of Estates and Building Services presented the item, it was noted that:

- At the time of purchase, the target net revenue to the Council per annum was £1m.
- Before the purchase the Council had 6 existing tenancies in the Centre.
- Footfall in the Centre was up to pre-Covid levels, market valuation was up by £3m. Occupancy rate was now 81% and with upcoming newcomers would be 88%. Rent arrears had reduced by 35%.
- Since the purchase 5 lease renewals had been completed, representing £206k per annum rental income.
- Next steps included completing key new lettings, delivering service charge savings, and agreeing a short-term strategy.

In response to questions from Members and Youth Representatives it was noted that:

- There was data on users of the Centre by demography.
- The central areas of the Centre were being considered for use for targeted events. Younger people were invited to suggest ideas for targeted events for young people.
- High Street shopping seemed to be moving to an experience focus to differentiate from online shopping.
- It was difficult to compare income to previous years due to the upcoming investment into the Centre which would be much greater than previous

levels of investment into the Centre.

- Improving the facilities in the Centre was a key to increasing the performance of the Centre.
- There was a team who worked on the arrears for the tenants in the Centre. There was an approach to working with the occupiers on this rather than being overly punitive.
- A large empty unit on the 1st floor was an area of focus.
- The Metrobank and TK Max units were owned by another Council.
- The Travelodge sub-lease did not change any of the income received by the Council from the property.
- The increase in valuation since the purchase could be credited to the positive changes in the market since the purchase. It was anticipated that valuation would hold steady in 2023 but that in the long run it would increase.
- Maintenance had taken place on void units, this alongside increased energy bills and staff costs accounted for the increase in service costs. Considerations of efficiency savings would be ongoing through 2023.
- There was a net profit of £1m but a lot of that could be reinvested into the Centre. Therefore, the calculation of the benefit to the general fund was more difficult.

AGREED:

That the Committee notes the update.

70. REVENUE BUDGET MONITORING APRIL-SEPTEMBER 2022/23

The Director of Finance submitted the second report for the monitoring cycle for 2022/23.

The Director of Finance presented the item, it was noted that this report was in-line with the previous report. Overspend had increased to £14m, this was due to increased running costs and the pay award being higher than budgeted. Additional cost pressures were in children’s placements. Increased interest rates offset the shortfall.

In response to questions from Members it was noted that:

- Reductions in grants to arts funding were for the Curve and Phoenix, this was offset additional by Capital investment provided.
- The majority of buildings that were lit at night-time were at the owners expense.
- Costs in providing taxis for SEND children were going up on a national level.
- There were a number of compensation claims going through related to disrepair claims, this was putting additional pressure on the HRA.
- The Council paid self-insurance for fire damage and this fell under the HRA.

- The number of voids was just above the national average, this was due to a staffing shortage and contractors were being used to address the backlog.
- The underspend in ASC would go into reserves.

AGREED:

That the Committee notes the report.

71. CAPITAL BUDGET MONITORING APRIL- SEPTEMBER 2022/23

The Director of Finance submitted a report to show the position of the capital programme at the end of September 2022 (Period 6).

The Director of Finance presented the report, it was noted that decisions that were proposed in the report related to a transfer of £290k into the HRA, an addition of £639k for green homes funded by a Government grant, and £100k for new school places for New Parks House.

In response to a Member question it was noted that funding for the LMAG redevelopment was partially from Arts Council England.

AGREED:

That the Committee notes the update.

72. INCOME COLLECTION APRIL 2022 - SEPTEMBER 2022

The Director of Finance submitted a report which detailed progress made in collecting debts raised by the Council during the first six months of 2022-23, together with debts outstanding and brought forward from the previous year. It also set out details of debts written off under delegated authority that it was not possible to collect after reasonable effort and expense.

The Director of Finance presented the item, noting that business rates were back at near pre-Covid levels. There was a slight drop in Council Tax collection but this was not deemed to be significant. It was felt that the impact of the cost-of-living crisis had not yet been felt in income collection.

Councillor Westley paid tribute to the Housing Income team for their work collecting rent and keeping the HRA from falling into further crisis. The City Mayor endorsed this statement.

AGREED:

That the Committee notes the report.

73. MID-YEAR REVIEW OF TREASURY MANAGEMENT ACTIVITIES 2022/23

The Director of Finance submitted a report which reviewed how the Council conducted its borrowing and investments during the first six months of 2022/23.

The Director of Finance presented the item, noting that interest rates had increased by 0.5% since the report was written.

In response to a Member question it was noted that loans from the Public Works Loans Board were on fixed rates. Any repayment opportunity would be considered.

AGREED:

That the Committee notes the report.

74. 'THE EXPERIENCE OF BLACK PEOPLE WORKING IN HEALTH SERVICES IN LEICESTER AND LEICESTERSHIRE' - A REVIEW OF THE HEALTH AND WELLBEING SCRUTINY COMMISSION

The Chair of the Health and Wellbeing Scrutiny Commission submitted a report on its review into the experience of black people working in health services in Leicester and Leicestershire.

The Chair noted that the Chair of the Health and Wellbeing Scrutiny Commission was not present to present the report. The Chair praised the detail of the report.

AGREED:

1. That the Committee notes and endorses the findings of the report.
2. That the Committee requests that a response report to the findings be taken to a future meeting of the Health and Wellbeing Scrutiny Commission.

75. 'UNDERSTANDING THE INCREASING COST OF CARE PACKAGES WITHIN ADULT SOCIAL CARE BUDGETARY PRESSURES' - A REVIEW REPORT OF THE ADULT SOCIAL CARE SCRUTINY COMMISSION

The Chair of the Adult Social Care Scrutiny Commission submitted a report on its review into the increasing cost of care packages within adult social care budgetary pressures.

Councillor March, the Chair of the review, was present to present the report. It was noted that there had been concern about a £19m increase in the ASC budget therefore a review was held. Councillor March thanked the other Members of the review and the Scrutiny Policy Officer.

The City Mayor welcomed the report and stated he would take the recommendations seriously.

Other Committee Members welcomed the report.

AGREED:

1. That the Committee notes and welcomes the findings and recommendations of the report.
2. That the Committee requests that a response report of the

findings be taken to a future meeting of the Adult Social Care Scrutiny Commission.

76. OVERVIEW SELECT COMMITTEE WORK PROGRAMME

The work programme for the Committee was noted.

77. ANY OTHER URGENT BUSINESS

The Chair wished everyone a merry Christmas and a happy new year.

There being no other items of urgent business, the meeting closed at 8.34pm.

Appendix B

Date Petition referred to Divisional Director	Received From	Subject	Type - Cncr (C) Public (P)	No. of Sig	Ward	Date Receipt Reported to Council (C) / Committee (Cttee)	Lead Divisional Director	Current Position	Scrutiny Chair Involvement	Date of Final Response Letter Sent to Lead Petitioner	Current Status
16/06/2022	Ayisha Tayoub	Ayisha Tayoub	(p)	37	North Evington		Andrew L Smith	The petition has not been completed within three months as consultation continues with ward councillors as the period was extended to take into consideration the by-election in the ward, with a deadline of 28th October given. The final letter will be sent to the lead petitioner shortly.	Pro-forma returned by the Scrutiny Chair who is content with the response.		GREEN
28/06/2022	Shah Ali	Against the Safer Streets Healthier Neighbourhoods scheme for Evington	(p)	535	Evington	C 7th July 2022	Andrew L Smith	The three ward councillors for Evington were consulted on the petition, and had a deadline of 28th October in which to respond. No comments were received in the consultation period. The pro-forma is being prepared.			RED
28/06/2022	Stephen Cooper	Against the Safer Streets Healthier Neighbourhoods scheme for Evington	(p)	560	Evington	C 7th July 2022	Andrew L Smith	The proforma has been prepared and will be sent to the scrutiny chair in due course. It is expected the petition will be closed before the next OSC meeting.			RED
09/08/2022	Salma Ahmed	Senior Residents Parking, Gwendolen Road. Issues: Illegal parking (non-resident long-term, drug dealing, excessive loud music and litter from vehicles), vandalism and theft, littering (particularly by children during school time dropping and stuffing into letter boxes). Intimidation of elderly/inform vulnerable adults	(p)	21	Spinney Hills		Sean Atterbury / Andrew L Smith	CRASBU are preparing the pro-forma, with obervations from Highways and Housing staff. The pro-forma is expected to be completed and the petition closed before the next OSC meeting.			RED
31/08/2022	Tyson Porito	Petition for Green Lane Road to be made one-way	(p)	244	North Evington		Andrew L Smith	The ongoing consultation with Members had been extended to 21st October due to the bi-election taking place in North Evington. Pro-forma and final letter had been sent to the lead petitioner.	Pro-forma returned by the Scrutiny Chair who is content with the response.	26 January 2023	GREEN
13/10/2022	Ursula Bilson	Petition asking for traffic calming and speed reduction measures on Saffron Lane Estate	(p)	254	Evington		Andrew L Smith	Officers were dealing with the request and had not received a response from the lead petitioner, Councillors and the Police. A pro-forma had been prepared and will be sent to the scrutiny chair.			RED
19/10/2022	Lucy Bunting	Petition for the Council to review and address speed / safety for the junction where Northcote Road meets Queens Road	(p)	46	Knighton		Andrew L Smith	The pro-forma has been completed and the final letter has been sent to the lead petitioner.	Pro-forma returned by the Scrutiny Chair who is content with the response.	11 January 2023	GREEN
08/12/2022	Neil Sargent	Petition for the Council, to address speeding on Heather Road, Sutton Road and Aston Hill.	(p)	85	Knighton		Andrew L Smith	Petition sent to lead director			GREEN
25/01/2023	Sanjay Rajpra	Issue at Gayton Avenue	(p)	12	Belgrave		Andrew L Smith	Petition sent to lead director			GREEN

Date Petition referred to Divisional Director	Received From	Subject	Type - Cncr (C) Public (P)	No. of Sig	Ward	Date Receipt Reported to Council (C) / Committee (Cttee)	Lead Divisional Director	Current Position	Scrutiny Chair Involvement	Date of Final Response Letter Sent to Lead Petitioner	Current Status

Tracking of Petitions – Monitoring Report

Overview Select Committee

Date of meeting: 9 February 2023

Lead officer: Katie Jordan

Useful information

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

1. Purpose of the Report

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

2. Recommendations

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

3. Detailed report

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

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

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

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

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

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

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

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

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

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

7. Background Papers – Local Government Act 1972

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

8. Summary of appendices:

Appendix 1 – Table of Current petitions.

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

No

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

No

Appendix C

Council

Date: draft for 22nd February 2023

Revenue Budget 2023/24

Lead director: Director of Finance

City Mayor

Useful information

■ Ward(s) affected:

■ Report author: Catherine Taylor/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 present the City Mayor's proposed budget for 2023/24 and to describe the future financial outlook.

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

2. **Summary**

2.1 The medium term financial outlook is the most severe we have known, in our twenty six years as a unitary authority. We are facing restricted Government funding at a time of increasing costs, which will inevitably lead to painful spending cuts.

2.2 The background to this severe outlook is:

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

(b) the covid-19 pandemic where we set "stop gap" budgets whilst we dealt with the immediate emergency. Budgets in 2021/22 and 2022/23 were supported by reserves of £17m and £24m respectively;

(c) the recent spike in inflation, which has led to significant pressures particularly in respect of pay, energy and packages of social care;

(d) the Autumn Statement in November, which provided no new money for inflation. Whilst some additional money has been made available for social care, it is insufficient to meet our forecast cost growth. This money has in large part been recycled, from savings arising from delayed reforms limiting the costs of care to individuals;

(e) a new round of austerity (also announced in the Autumn Statement) which will lead to further cuts to local authority funding from 2025/26.

2.3 As yet, we only have national information, and have had to prepare a draft budget without the benefit of our own local funding settlement. This has required us to make assumptions based on a share of national amounts. We have also had to make more contingencies than usual reflecting uncertain costs (e.g. the direction of energy prices) and paucity of information (e.g. any residual costs arising from the deferral of adult social care reforms). At the time of writing, we do not know whether our finance settlement will cover one or two years.

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

2.5 The Council’s approach to achieving budget reductions is to make savings in a planned way, using our reserves to avoid the crisis cuts which many authorities have (and are) facing. This is our “managed reserves” strategy. Our approach leaves us in the fortunate position of starting 2023/24 with an estimated £55m of reserves which will help us plan the reductions we need.

2.6 The budget you are asked to approve will exceed our income in both 2023/24 and 2024/25, and will therefore be supported by reserves for a further two years. The precise sums shown in this draft report are provisional (we do not have the finance settlement) but the gap between income and expenditure will be substantial – current estimates are included in the report. The reserves required to balance the budget would exceed those required in the last two years. However, we do not have enough money – we estimate reserves will run out part way through 2024/25. Thus, the achievement of significant savings is essential to live within our means. Furthermore, without savings we will have nothing to shield us from the immediate impact of government cuts in 2025/26.

2.7 The budget reflects savings of £6m per year across all departments, which will already have been reported by the time Council considers the budget in February (the most recent tranche is being reported to Overview Select Committee in December). Nonetheless, delivery of savings is a continuous process, which does not start or stop at budget setting. The City Mayor will continue to approve savings during the next 12 months, which will reduce the budget gap in 2024/25 (and the level of reserves required in 2023/24, which then become available to offset the gap in 2024/25). Decisions to make savings will be taken in the normal manner and published on the Council’s website. There is no doubt that painful cuts will be required over the coming years.

2.8 Increases to budgets for growth pressures have been made only where absolutely essential to maintain service provision. In practice, this amounts to £27m in 2023/24, of which the largest amount is for adult social care. Provisions have also been made for key inflationary pressures such as energy costs.

2.9 Like social care authorities up and down the country, our costs of providing care are increasing faster than government support. Unfunded social care pressures present a severe threat to the financial sustainability of the Council and are the key risk described in this report.

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

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

3. **Recommendations**

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

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

(b) approve a formal budget resolution, which sets the council tax level for 2023/24 and the council tax premia for 2023/24 and 2024/25;

(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 on the adequacy of reserves and the estimates used in preparing the budget;

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

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

4. **Budget Overview**

4.1 The table below summarises the proposed budget for 2023/24 (summary projections for a three-year period are included in the medium term strategy at Appendix Four):

	2023/24 £m
Service budget ceilings	359.9
Corporate Budgets	
Energy costs provision	9.7
Capital Financing	2.5
Miscellaneous Corporate Budgets	1.9
Contingency	4.0
Total forecast spending	**378.0**
Rates retention scheme:	
Business rates income	73.6
Top-up payment	55.7
Revenue Support Grant	29.9
Other resources:	
Council Tax	143.4
Collection Fund surplus	3.3
Social Care grants	30.4
Other grants	8.6
Total forecast resources	**344.9**

Underlying gap in resources	**33.1**
Proposed funding from reserves	(33.1)
Gap in resources	**NIL**

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

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

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

(a) The level of council tax;
(b) The limits on the amount the City Mayor is entitled to spend on any service ("budget ceilings") - proposed budget ceilings are shown at Appendix One;

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

5.3 The draft budget is based on a proposed Band D tax for 2023/24 of £1,833.00, an increase of just under 5% compared to 2022/23.

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 2022/23). Separate taxes are raised by the Police and Crime Commissioner and the Combined Fire Authority. These are added to the Council's tax, to constitute the total tax charged.

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

5.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2023. The formal resolution will set out the precepts issued for 2023/24, together with the total tax payable in the city.

6. **Departmental Budget Ceilings**

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

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

(b) An allowance is made for non-pay inflation on a restricted number of budgets. Our general rule is that no allowance is made, and departments are expected to manage with the same cash sum that they had in the previous year. Given the recent surge in inflation, this is now going to prove very challenging, but due to the overall budget outlook the usual position has been maintained. In practice, we believe over £5m of inflationary pressures will need to be absorbed. Exceptions are made for the budgets for independent sector adult social care (2%) and foster care (2%) but as these areas of service are receiving growth funding, an inflation allowance is merely academic (we pay from one pot rather than another). Budgets for the waste PFI contract have been increased by RPI, in line with contract terms;

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

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

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

6.3 The local government pay award for 2022/23 has recently been finalised, averaging 6.4%. A provision is held centrally to fund this (and is shown within the "service budgets" line in the table above, as it will be transferred to the relevant budget ceilings for the final budget). The draft budget assumes a 5% pay award in 2023/24, also held centrally.

6.4 Additionally, and unusually, £9.7m has been set aside in a central contingency for increased energy costs, but has not yet been allocated to budget ceilings pending greater certainty over the final amounts

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.

Adult Social Care

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

6.7 The budget for 2022/23 reflected a level of uncertainty caused by the pandemic (which dampened demand for services without providing any indication whether future demand would remain dampened, return to normal or catch up for previous under-demand). As a consequence, the budget report for 2022/23 indicated that the figures would be reviewed in-year: after this was completed the budget was reduced by £9m. We now anticipate cost growth of £19m in 2023/24 (compared to the revised budget for 2022/23), accelerating in future years, as a consequence of rising numbers of older and younger adults requiring care, increases in the level of need of the average care recipient, and pressure on providers due to National Living Wage increases.

6.8 The government has generally responded to growth pressures on an ad-hoc basis, making one-off resources available year by year. This has made planning extremely difficult.

6.9 In the Autumn Statement, the government announced that planned reforms to the way social care is funded (chiefly limiting the amount individuals would have to contribute) will be delayed for at least two years. At the time of writing, it is not clear whether there will be any residual costs from deferral of the plans, and a provision of £5m per year is held centrally until more clarity is available.

6.10 The Autumn Statement announced additional funding for pressures in adult social care, in a combination of the Better Care Fund paid via the NHS, and additional social care grant paid directly to local authorities. While the distribution of this funding is not yet known, we estimate that our share could be some £12.7m in 2023/24, rising to over £19m in 2024/25. [In the draft budget, these amounts are held as corporate resources, and are not shown in service budget lines]. The Government has funded these grants chiefly from the savings arising from deferring the reforms.

6.11 The proposed budget includes growth of £18.8m in 2023/24 for increased packages of support, estimated to rise to £32.4m by 2024/25 (considerably in excess of the increased support). These increases were calculated as 6% of the estimated net ASC budget in 2023/24, falling to 4% in 2024/25 (the latter being consistent with national estimates made by the Local Government Association). These increases are less than suggested by past experience, and spending within them will prove challenging. The director is taking action to change and improve support designed to reduce people's need for formal care, social work assessment, and commissioning practice to ensure we can live within these allowances, but it remains a risk. The risk is compounded by the fact that we have a backlog of reviews of clients' needs, due to difficulty in recruiting staff to carry them out.

6.12 The above estimates of growth are based on a national living wage of £10.42 in 2023/24, as announced on 17th November.

Education and Children's Services

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

6.14 A forecast of placement costs in 2023/24 and 2024/25 has been made, and £3.0m added to the budget for 2023/24. The forecast builds on a budget that is already under pressure (it is expected to overspend in 2022/23). It assumes a net 10 children per year enter the care system from 2023/24 (against the backdrop of a worsening economic situation), with each new entrant costing an average £39,000 per year and leavers reducing cost by an average £50,000 per year.

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

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

(b) Work with partners to agree joint funding solutions for complex, high-need children;

(c) Development of additional internal residential homes to mitigate against independent sector price increases;

(d) Development of an advanced foster carer scheme for children with more complex needs.

6.16 The cost of placements will continue to be monitored through routine budgetary control reports.

6.17 The department continues to experience cost pressures from growth in demand for education, health and care plans (EHCPs), which then also lead to increased demand for personal transport. The most significant aspect of cost is the use of taxis by some 800 to 900 children with special needs, which are costing over £10m per year (2022/23). Taxi costs have been increasing due to fuel cost increases, a limit in the number of firms which are prepared to undertake this work and their pricing. An additional £1.5m is included in the 2023/24 budget, but this will still leave a shortfall against spend on current trends. The department is seeking to tackle this by promoting personal budgets as a default option: both to promote the independence of children and to demonstrate value for money (taxis cost on average 5 times the amount of a personal budget). The department is also seeking to review in-house fleet options.

6.18 In addition to the General Fund budget, Dedicated Schools Grant (High Needs Block) budgets for children and young people with special educational needs and disabilities continue to be under severe pressure. In common with most authorities, the Council has a deficit on its DSG reserve estimated to stand at £9m by the end of 2022/23 resulting from unavoidable overspends (in fact, most authorities are in a significantly worse position). The budget is prepared on the assumption that we will continue to run such a deficit by virtue of a "statutory override", which was originally planned to end in March 2023. If this is not extended, the deficit will reduce our general fund reserves, and hence our ability to balance this and future budgets. Indications are, however, that it will be extended. We are preparing a deficit recovery plan, which all authorities with deficits are required to do but it is unclear how the situation is retrievable without further Government support, given the relentless increase in the number of children with EHCPs, a pattern seen across the country.

City Development and Neighbourhoods

6.19 The department's costs are reasonably predictable, when compared to social care. The pandemic made a dent in the department's income budgets, and there continue to be some limited shortfalls. £1.1m was set aside for further temporary shortfalls in 2023/24 when we set the budget for 2022/23, although it is hoped it will not all be required.

6.20 Growth of £1m has been added to the budget to meet costs of accommodation for increasing numbers of families presenting as homeless (a pressure of £0.8m in 2022/23), and for shortfalls in planning income. There is a plan to address the needs of homeless families through the Housing Revenue Account, which will provide partial relief.

Health and Wellbeing

6.21 The Health and Wellbeing Division has been at the centre of the authority's response to Covid 19, and the pandemic is expected to have a lasting impact on mental and other aspects of the population's health. The cost of living crisis is also likely to increase the need for services.

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

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

6.24 The department is able to live within its resources in 2023/24, and no budget growth is proposed.

Corporate Resources Department

6.25 The department primarily provides internal support services together with leading on good corporate governance, but also some public facing services such as benefits, collection of council tax and customer contact. Since 2022/23, it has also been responsible for sports services (although given the clear links with public health, we continue to include these services with Health and Wellbeing in Appendix One). The department has made considerable savings in recent years in order to contribute to the Council's overall savings targets. It has nonetheless achieved a balanced budget each year.

6.26 Whilst the budget is broadly balanced, a number of factors may lead to budget pressures in the department, most notably in respect of Revenue and Customer Services (where the cost-of-living crisis is expected to generate significant increases in customer contact from people struggling financially). Sports Services is continuing to suffer reduced income in the aftermath of the pandemic: whilst membership subscriptions now exceed pre-pandemic levels, casual income has failed to recover. However, the department will manage within its budget and no growth is required in 2023/24.

7. **Corporately held Budgets and Provisions**

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

7.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending, less interest received on balances held by the council. The net cost has reduced recently due to increasing interest rates leading to better returns on balances (while the majority of our borrowing is on fixed rates and is not immediately affected by interest rate variations). As we spend our reserves, however, interest received will fall.

7.3 A **contingency** of £4m has been included in the budget to manage significant pressures that arise during the year. These are further described in paragraph 12 below.

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

7.5 For this draft budget, central provisions are also held for the costs of pay awards, increasing energy costs, any residual costs from adult social care reforms, and for the costs of additional waste to be disposed of. These will be allocated to departmental budget lines when there is more clarity about the costs. Growth of

£1m has been added for the costs of reprocurement when the current waste contract ends in 2028. This is a substantial planning exercise.

8. **Resources**

8.1 At the time of writing, the local government finance settlement for 2023/24 has not been published, and is expected just before Christmas 2022 (as late as it has ever been). Current estimates of government funding we will receive are therefore based on information included in the government's fiscal statements, and are liable to change.

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

Business rates and core grant funding

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

8.4 Forecasts for business rates are particularly sensitive to assumptions about the current economic downturn. In addition, a rates revaluation will take effect from April 2023, which will redistribute funding between areas of the country. In the Autumn Statement, the Government announced new reliefs in addition to the usual transitional relief which follows a revaluation: these include a new small business scheme; and improved relief for retail, hospitality and leisure businesses.

8.5 In addition to new relief schemes, Government decisions in recent years have reduced the amount of rates collected from businesses, by limiting annual increases in the multiplier used to calculate rates. It has done so again in 2023/24 by freezing the multiplier at 2022/23 levels (in practice, at current rates of inflation, this represents a significant real terms reduction for businesses).

8.6 The government's practice is to compensate authorities for lost income due to changes to the scheme. So many changes have been made in recent years that by 2022/23 compensation made up around a third of the "rates" income received by the Council. This proportion will rise further in 2023/24: given the multiplicity of changes this year (and the fact that any one ratepayer can be affected by more than one of them), and the unknown impact of revaluation, calculating our likely income is a particularly hazardous enterprise. The estimates in this draft report are the best we can make at present. In practice, we believe that the system of business rates is becoming unsustainable in its current form.

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

8.8 Other funding streams in 2022/23, including the £7m Services Grant, were introduced as one-off grants that are not included in funding baselines, allowing the Government more scope to reallocate the funding in future years. While we do not know the future of these funding streams, the draft budget assumes that any changes will have a neutral overall effect, apart from an expected reduction to reflect the cancellation of the recent increase in employers' National Insurance Contribution rates.

Council tax

8.9 Council tax income is estimated at £143.4m in 2023/24, based on an assumed tax increase of just below 5% (the maximum allowed without a referendum). The proposed tax increase includes an additional "social care levy" of 2%, designed to help social care authorities mitigate the growing costs of social care. Since our tax base is relatively low for the size of population, the levy raises just £2.7m per year.

8.10 The estimated council tax base has increased since last year's budget; this is largely the result of reducing costs of the local council tax support scheme, as employment and the economy recover after the pandemic.

8.11 Since 2013, we have been able to charge additional council tax as a premium on some empty properties. This was introduced to provide an incentive to get empty homes back into use. The scheme has changed several times since its introduction, and further changes are planned from April 2024, subject to legislation in Parliament:

- Authorities will be able to charge the premium on properties empty for over 1 year (instead of 2 years as at present)
- For the first time, empty homes' premium can be charged on furnished empty properties (often referred to as second homes) as well as unfurnished properties.

8.12 In February, the Council will be asked to approve the premia to be charged on empty properties for the next two years. The exact wording will set out the terms of any exemptions to the general policy (we will, in particular, consider members of the armed forces who may have particular accommodation needs):

	Premium 2023/24	Premium 2024/25
Unfurnished properties empty for:		
Over 1 year	NIL	100%
Over 2 years	100%	100%
Over 5 years	200%	200%
Over 10 years	300%	300%
Furnished empty properties (second homes)	NIL	100%

Other grants

8.13 The majority of grant funding is treated as income to the relevant service departments and is not shown separately in the table at paragraph 4.1. Grants held corporately include:

- **New Homes Bonus**, which provides additional funding where new homes are built or long-term empty properties return to use. It has become less generous in recent years, and is expected to be phased out entirely. The draft budget assumes that any replacement will have a neutral effect on our budget.
- **Social Care Grant**, which has been provided each year since 2016/17 to reflect national cost and demographic pressures. In 2022/23, our share of this funding was £17.7m. In the Autumn Statement on 17th November, additional social care grant funding was announced, totalling £1.9bn nationally in 2023/24 and rising to £2.8bn in 2024/25. We do not yet know how this will be allocated to authorities; the budget assumes a share similar to previous social care funding allocations.

Collection Fund surplus / deficit

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

8.15 The Council has an estimated **council tax collection fund surplus** of £1.3m, after allowing for shares to be paid by the police and fire authorities. This largely relates to reductions in the cost of the council tax support scheme: employment rates remain high since the pandemic.

8.16 The Council has an estimated **business rates collection fund surplus** of £4.4m. Because of changes to reliefs in recent years that were funded by government grants, the actual collection fund position is distorted and various technical accounting adjustments (that will balance out over the years) are required. For clarity, this budget presents the net underlying figure. The net balance is largely the result of lower than expected appeals against property valuations at the last revaluation in 2017.

8.17 For both council tax and business rates, there is a further adjustment relating to deficits from the pandemic period in 2020/21, when collection across the country was severely affected.

9. Managed Reserves Strategy

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

9.2 As at April 2022, resources available for the strategy totalled £79.2m. Of this, £24.1m is likely to be required to balance the 2022/23 budget, taking account of expected pressures since the start of the year (and described in budget monitoring reports to Overview Select Committee). This will leave an estimated £55m for future years.

9.3 Unless further savings are found, the draft budget will require £33.1m of support from reserves in 2023/24, leaving just £22m to offset pressures in 2024/25. This indicates that substantial cuts will be required to balance the budget in that year:

	£m
Available to support budget as at 1/4/2022	79.2
Required in 2022/23	(24.1)
Estimated amount required for 2023/24 budget	(33.1)
Balance Remaining for 2024/25	**22.0**

10. **Earmarked Reserves**

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

10.2 Appendix 5 gives a summary of earmarked reserves as at 31st March 2022.

10.3 The planned use of earmarked reserves will be monitored through the regular revenue budget monitoring process, and reported to members throughout the 2023/24 financial year.

11. **Budget and Equalities**

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

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

(a) eliminate unlawful discrimination;

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

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

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

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

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

11.6 The budget does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2023/24 is £1,833.00, an increase of just below 5% compared to 2022/23. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This includes the potential impact of alternative options.

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

12. Risk Assessment and Estimates

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

12.2 In the current climate it is inevitable that the budget carries significant risk. In my view, although very difficult, the budget for 2023/24 is achievable subject to the risks and issues described below.

12.3 The most significant risks in the 2023/24 budget include:

(a) Inflation, which has risen sharply and at the time of writing is over 10% per year, and has put extreme pressure on pay and other costs. In addition, inflationary pressures on household budgets are likely to increase demand for a range of services across the Council. Economic forecasts expect inflation to reduce during 2023, although it is likely to remain higher than in recent years. If inflation remains higher than forecast, it will further increase costs in 2023/24 and in subsequent years;

(b) Energy costs are a particular inflationary pressure - they have increased sharply recently and remain difficult to predict;

(c) Adult Social Care spending pressures, specifically the risk of further growth in the cost of care packages. Growth provided in the budget is less than previous practice suggests is needed, and management action will be required to prevent overspending;

(d) The costs of looked after children, which have seen growth nationally;

(e) The costs of special needs transport, where the forecasts also require management action to avoid overspending.

12.4 The budget seeks to manage these risks as follows:

(a) A minimum balance of £15m of reserves will be maintained;

(b) Provisions have been made in the budget for likely pressures on pay and energy costs, and will be kept under review during the year. Provisions of £5m per year have also been made for any residual costs from the deferral of adult social care reform;

(c) A contingency of £4m has been included in the budget for 2023/24;

(d) As a last resort, managed reserves could be used, but this increases pressure in 2024/25.

12.5 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 2023/24, more exceptions than usual have been made, and it is believed that services will be able to manage without an allocation).

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

13.1 **Financial Implications**

This report is exclusively concerned with financial issues.

13.2 **Legal Implications**

13.2.1 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.

13.2.2 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.

13.2.3 As well as detailing the recommended council tax increase for 2023/24, 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.

13.2.4 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 will undertake tailored consultation exercises with wider stakeholders in addition to representatives of ratepayers.

13.2.5 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 11. 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.

13.2.6 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.

Provided by: Kamal Adatia, City Barrister

Catherine Taylor / Mark Noble
13th December 2022

Appendix One

Budget Ceilings (provisional)

	Latest budget restated	Savings agreed	Growth planned in budget	National Insurance adjustments	Non pay inflation	**Budget ceiling 23/24**
1. City Development & Neighbourhoods						
1.1 Neighbourhood & Environmental Services						
Divisional Management	239.3			(0.6)		**238.7**
Regulatory Services	2,033.7			(14.4)		**2,019.3**
Waste Management	18,148.5	(30.0)		(1.8)	3,317.5	**21,434.2**
Parks & Open Spaces	4,218.7	(65.0)		(35.9)		**4,117.8**
Neighbourhood Services	5,508.4	(26.0)		(11.6)		**5,470.8**
Standards & Development	1,680.1	(59.0)		(9.4)		**1,611.7**
Divisional sub-total	**31,828.7**	**(180.0)**	**0.0**	**(73.7)**	**3,317.5**	**34,892.5**
1.2 Tourism, Culture & Inward Investment						
Arts & Museums	4,242.3	(182.2)		(7.2)		**4,052.9**
De Montfort Hall	433.0	(40.0)		(6.3)		**386.7**
City Centre	171.1			(0.7)		**170.4**
Place Marketing Organisation	369.3			(1.0)		**368.3**
Economic Development	14.7	(56.0)		(3.8)		**(45.1)**
Markets	(216.4)	(20.0)		(1.7)		**(238.1)**
Adult Skills	(870.4)					**(870.4)**
Divisional Management	184.7			(1.0)		**183.7**
Divisional sub-total	**4,328.3**	**(298.2)**	**0.0**	**(21.7)**	**0.0**	**4,008.4**
1.3 Planning, Transportation & Economic Development						
Transport Strategy	9,778.3	(45.0)		(14.3)		**9,719.0**
Highways	2,809.6	(305.0)		(28.5)		**2,476.1**
Planning	985.6			(10.5)		**975.1**
Divisional Management	138.2			(0.8)		**137.4**
Divisional sub-total	**13,711.7**	**(350.0)**	**0.0**	**(54.1)**	**0.0**	**13,307.6**
1.4 Estates & Building Services	5,419.2	(1,046.2)		(29.3)		**4,343.7**
1.5 Housing Services	3,308.9	(174.0)	1,000.0	(25.8)		**4,109.1**
1.6 Departmental Overheads	827.6	(256.0)		(2.0)		**569.6**
DEPARTMENTAL TOTAL	**59,424.4**	**(2,304.4)**	**1,000.0**	**(206.6)**	**3,317.5**	**61,230.9**

Appendix One

Budget Ceilings (provisional)

	Latest budget restated	Savings agreed	Growth planned in budget	National Insurance adjustments	Non pay inflation	Budget ceiling 23/24
2.Adults						
2.1 Adult Social Care & Safeguarding						
Other Management & support	744.8			(2.6)		**742.2**
Safeguarding	228.6			(0.9)		**227.7**
Preventative Services	6,910.0			(16.6)		**6,893.4**
Independent Sector Care Package Costs	130,634.6		18,743.0		2,723.1	**152,100.7**
Care Management (Localities)	7,874.0			(24.7)		**7,849.3**
Divisional sub-total	**146,392.0**	**0.0**	**18,743.0**	**(44.8)**	**2,723.1**	**167,813.3**
2.2 Adult Social Care & Commissioning						
Enablement &Day Care	3,091.6			(13.3)		**3,078.3**
Care Management (LD & AMH)	5,252.1			(20.3)		**5,231.8**
Preventative Services	1,024.1			(0.3)		**1,023.8**
Contracts,Commissioning & Other Support	6,298.3			(18.4)		**6,279.9**
Departmental	(33,696.3)	(339.0)		(2.8)		**(34,038.1)**
Divisional sub-total	**(18,030.2)**	**(339.0)**		**(55.1)**		**(18,424.3)**
DEPARTMENT TOTAL	**128,361.8**	**(339.0)**	**18,743.0**	**(99.9)**	**2,723.1**	**149,389.0**
3. Education & Children's Services						
3.1 Strategic Commissioning & Business Suppor	2,315.6	(114.0)		(10.5)		**2,191.1**
3.2 Learning Quality & Performance						
Raising Achievement	373.0			(3.1)		**369.9**
Learning & Inclusion	1,285.4	(29.1)		(6.0)		**1,250.3**
Special Education Needs and Disabilities	16,009.6		1,500.0	(29.1)		**17,480.5**
Divisional sub-total	**17,668.0**	**(29.1)**	**1,500.0**	**(38.2)**	**0.0**	**19,100.7**
3.3 Children, Young People and Families						
Children In Need	14,363.6	(456.4)		(34.9)		**13,872.3**
Looked After Children	40,569.0	(15.0)	3,000.0	(29.3)	210.3	**43,735.0**
Safeguarding & QA	2,513.8	(26.7)		(7.7)		**2,479.4**
Community Safety	877.6			(2.2)		**875.4**
Early Help Targeted Services	5,723.7	(1.5)		(17.4)		**5,704.8**
Early Help Specialist Services	3,192.8	(8.9)		(13.6)		**3,170.3**
Divisional sub-total	**67,240.5**	**(508.5)**	**3,000.0**	**(105.1)**	**210.3**	**69,837.2**
3.4 Departmental Resources	**1,455.1**	**(61.0)**		**(2.4)**		**1,391.7**
DEPARTMENTAL TOTAL	**88,679.2**	**(712.6)**	**4,500.0**	**(156.2)**	**210.3**	**92,520.7**

Appendix One

Budget Ceilings (provisional)

	Latest budget restated	Savings agreed	Growth planned in budget	National Insurance adjustments	Non pay inflation	**Budget ceiling 23/24**
4. Health and Wellbeing						
Adults' Services	8,985.7					**8,985.7**
Children's 0-19 Services	8,819.3					**8,819.3**
Lifestyle Services	1,216.5	(140.0)		(3.3)		**1,073.2**
Staffing & Infrastructure& Other	2,508.5	(100.0)		(10.0)		**2,398.5**
Sports Services	1,915.0			(15.5)		**1,899.5**
DEPARTMENT TOTAL	**23,445.0**	**(240.0)**		**(28.8)**		**23,176.2**
5. Corporate Resources Department						
5.1 Delivery, Communications & Political Gover	5,557.2	(133.5)		(19.2)		**5,404.5**
5.2 Financial Services						
Financial Support	4,843.7			(23.5)		**4,820.2**
Revenues & Benefits	6,640.5	(172.0)		(29.1)		**6,439.4**
Divisional sub-total	**11,484.2**	**(172.0)**	**0.0**	**(52.6)**	**0.0**	**11,259.6**
5.3 Human Resources	3,794.3			(15.4)		**3,778.9**
5.4 Information Services	10,522.1	13.0		(29.2)		**10,505.9**
5.5 Legal Services	3,456.7			(21.5)		**3,435.2**
DEPARTMENTAL TOTAL	**34,814.5**	**(292.5)**		**(137.9)**		**34,384.1**
TOTAL -Service Budget Ceilings	**334,724.9**	**(3,888.5)**	**24,243.0**	**(629.4)**	**6,250.9**	**360,700.9**
Public Health grant						(28,384.2)
Provision for waste costs						2,000.0
Provision for residual care reform costs						5,000.0
Provision for pay awards						20,600.0
Total forecast service spending						**359,916.7**

Appendix Two

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 provisions for pay awards, additional waste and energy cost pressures;

   (c) The City Mayor may determine how the contingency can be applied and the provision for residual ASC reforms.

Earmarked Reserves

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

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

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

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

12. Directors may spend earmarked reserves on the purpose for which they have been created.

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

Equality Impact Assessment

1. **Purpose**

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

1.2 The alternative option for comparison is a freeze on council tax at 2022/23 levels. It would of course be possible to set a council tax increase between these two levels, or indeed to *reduce* the Band D tax.

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

2.1 As at October 2022, there were 133,370 properties liable for Council Tax in the city[1] (excluding those registered as exempt, such as student households).

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

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

3. **How are they affected?**

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

Band	No. of Properties	Weekly increase	Minimum Weekly Increase under CTSS
A-	305	£0.93	£0.19
A	78,707	£1.12	£0.22
B	26,640	£1.31	£0.26
C	15,547	£1.49	£0.45
D	6,636	£1.68	£0.63
E	3,377	£2.05	£1.01
F	1,522	£2.42	£1.38
G	600	£2.80	£1.75
H	36	£3.36	£2.31
Total	**133,370**		

[1] This number is expected to reduce in the final budget for 2023/24 as more student exemptions will be registered

3.2 In most cases, the change in council tax (around £1.31 per week for a band B property with no discounts; and just 26p per week if eligible for the full 80% reduction under the CTSS) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.

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

3.4 The government has confirmed that pensions and most benefit rates will increase by inflation in April. However, this does not apply to Local Housing Allowance (LHA) rates for those renting in the private sector. This will put further pressure on lower-income renters if their rents increase. [NB council and housing association tenants are not affected by this as their rent support is calculated differently and their full rent can be compensated from benefits].

4. <u>Alternative options</u>

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

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

5. <u>Mitigating actions</u>

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

5.2 The Household Support Fund has been extended to March 2024 and will continue to provide food vouchers, water and energy bill support and white goods to vulnerable households.

6. **<u>What protected characteristics are affected?</u>**

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:
Age	Older people (pension age and older) are least affected by a potential increase in council tax and can access 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. While employment rates remain high, earnings have not kept up with inflation in recent months so working families are likely to already be facing pressures on household budgets. Younger people, and particularly children, were more likely to be in poverty before the current cost-of-living crisis and this is likely to have continued.	Working age households and families with children – incomes squeezed through reducing real-terms wages.	Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.
Disability	Disabled people are more likely to be in poverty. In addition, many disabled people are disproportionately affected by household fuel costs and may have limited opportunities to reduce usage. The 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.	Further erode quality of life being experienced by disabled people.	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.
Gender Reassignment	No disproportionate impact is attributable specifically to this characteristic.		
Pregnancy & Maternity	No disproportionate impact is attributable specifically to this characteristic (although see below for childcare costs; and the impacts on lone parents).		

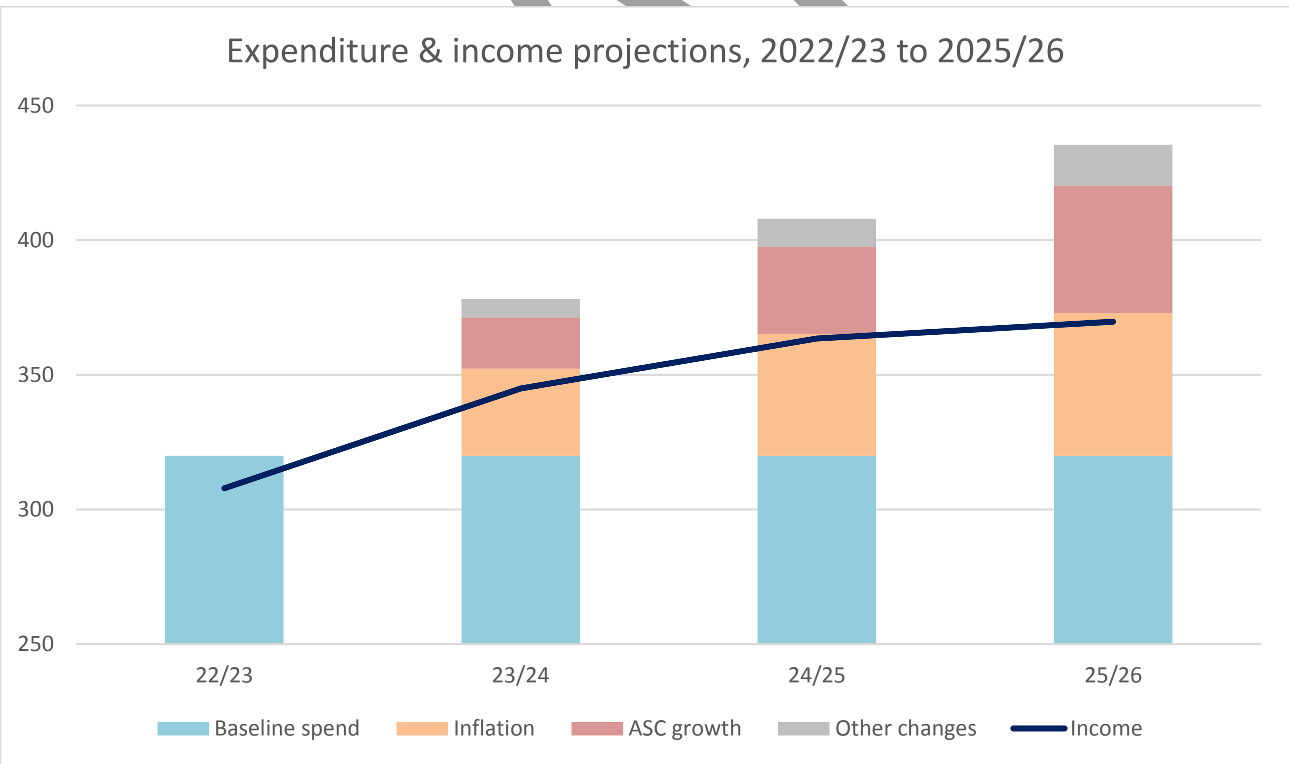
Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Race	Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some ethnic minority people are also low income and on benefits.	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 to remove barriers in accessing support.
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, who are more likely to experience poverty.	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	Gay men and Lesbian women are more likely to be in poverty than heterosexual people and Trans people even more likely to be in poverty and unemployed. This would mean they are more likely to be on benefits and there could be a disproportionate impact.	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. Local support organisations such as the LGBT Centre can signpost individuals to advice and support services.

Medium Term Financial Outlook 2023/24 – 2025/26

1. The purpose of this medium term financial outlook is to provide members with details of the forecast financial position of the Council for the next 3 years, and to set the context within which the budget process will need to work to achieve a balanced position. The figures are indicative and volatile, and depend heavily on government decisions about future funding of services.

2. Our central forecasts for the period up to 2025/26 are set out in the table at paragraph 5, and show that:

    - **Expenditure pressures are increasing at a faster rate than income.** Over the period we expect expenditure to increase by over 35% (in cash terms) while income projections rise by only 20% assuming there is no change in Government policy.
    - **In recent years, the biggest factor in these increases has been the rising cost of adult social care, as illustrated in the chart below.** These increases have been seen nationally for several years, and now present a substantial challenge to the authority's future sustainability. These pressures arise from factors largely outside the authority's control (e.g. increases in the minimum wage, demographic pressures and pressures on fee levels). The rate of growth is likely to accelerate.



NB scale does not start at zero

- **We have already invested significant amounts in social care.** Since 2016 we have seen the cost of adults' social care packages increase by over £50m, or 70%, due to a combination of increasing need and higher wage costs. Over the same period we have invested over £20m in children's social care.

- **Since the 2022/23 budget was set, sharp increases in inflation have added over £25m to our costs.** In particular, energy costs and pay awards have been far higher than predicted.
- **Other budget areas have already seen significant cuts in the last decade.** Expenditure on services other than adults' and children's social care fell from £192m in 2010 to £106m in 2020.

3. The 2022/23 budget was balanced by using £24m of reserves. On current projections, sufficient reserves remain to balance the 2023/24 budget and provide partial support to the 2024/25 budget. Ongoing savings will need to be found to ensure the longer-term financial stability of the Council.

4. Departments are working on achieving savings where possible. This is a continuous process and identified savings will be made throughout the course of the year.

5. A summary of the central budget projections for the next three years is set out below:

	2023/24 £m	**2024/25 £m**	**2025/26 £m**
Net service budget (including inflation)	369.6	394.9	417.6
Corporate and other centrally held budgets	4.4	5.0	5.8
Contingency	4.0		
Planning provision		8.0	12.0
Expenditure total	**378.0**	**407.9**	**435.4**
Business rates income	73.6	76.4	77.6
Top-up payment	55.7	57.9	58.9
Revenue Support Grant	29.9	29.9	29.9
Council Tax	143.4	153.5	157.5
Collection Fund surplus	3.3		
Social Care grants	30.4	37.1	37.1
Other grants	8.6	8.6	8.6
Income Total	**344.9**	**363.4**	**369.6**
Indicative Budget gap	**33.1**	**44.5**	**65.8**

6. The largest area of uncertainty in the forecasts surrounds the amount of government funding that will be available in 2025/26 which falls into a new government planning period. We have been warned to expect a new period of austerity.

7. The planned review of local government funding allocations (the "Fair Funding Review") is now likely to be delayed until 2025. We do not know what the outcome of any review will be, but the delay means that authorities are still funded on a formula

that is at least a decade out of date; and lower income areas (including Leicester) are still disproportionately affected by the way funding cuts were implemented from 2013 to 2016. In particular, no recognition is given to the city's increase in population and this is to some extent still driven by the **<u>2001</u>** census figures. The independent Institute for Fiscal Studies has commented that "Indeed, the issues with police, local government and public health funding allocations are so significant that the amounts allocated to different places are essentially arbitrary."

8. Key assumptions and risks in the forecast are set out below:

	Assumptions – central scenario	**Risks & alternative options modelled**
Expenditure		
Pay costs	We assume a pay award averaging 5% in 2023/24, 3% in 2024/25 and 2.5% in 2025/26, as general inflation is expected to reduce.	Inflation has been rising in recent months, reaching 11.1% (CPI) in October 2022. Forecasts suggest it is likely to begin to reduce later in 2023; if it remains high, there will be additional pressures on pay awards and non-pay inflation, partially offset by an increase in interest on investments.
Energy costs	Assumed that gas prices we pay will increase by **300%** in April 2023, whilst electricity prices will rise by **40%** in October 2023. Costs for 2024/25 are highly uncertain. An indicative increase of 30% has been included.	
Non-pay inflation	In line with the policy in past years, departments are expected to absorb the costs of non-pay inflation in most cases. The exceptions are independent sector care package costs, fostering allowances, energy and the waste management contract; an allowance is built in for these increases. An allowance has also been made from 2023/24 for SEN transport.	
Adult social care costs	Demographic pressures and increasing need lead to cost pressures of 6% of the ASC budget in 2023/24 and 4% in 2024/25. This will require action in the Department to remain within these spending totals Increases in the National Living Wage will also add to costs. Forecasts for 2025/26 are particularly volatile; an indicative £15m additional budget has been included for the year.	
Other service cost pressures	Departments are expected to find savings to manage cost pressures within their own areas. From 2024/25 onwards, an £8m planning provision has been included (twice the normal amount) to meet unavoidable costs that cannot be managed within departments. This subsequently increases by £4m in 2025/26.	Costs relating to children who are looked after have been increasing nationally, and are a particular risk for future years. Home-to-school transport costs are also an area of significant pressure, and will require action to remain within budgets.

Income		
Council Tax	Band D Council Tax will increase by 4.99% per year (3% base increase plus 2% for the Adult Social Care precept), for 2023/24 and 2024/25; and then revert to 2.99% for 2025/26. Council tax baseline increases by 500 Band D properties per year.	Further economic downturn leading to increased costs of council tax support to residents on a low income.
Business rates	The multiplier freeze for 2023/24, and new reliefs announced in November 2022, are fully funded. Authorities are fully compensated for the effect of the 2023 rates revaluation. No significant movements in the underlying baseline for business rates.	Business rates are particularly sensitive to economic conditions. We believe that the national business rates system in its current form is becoming unsustainable. The local government business rates retention system is being “patched up” considerably as a result. Long term stability seems unlikely.
Government grant	Government funding for 2023/24 and 2024/25 follows the plans set out in the CSR as adjusted by the Autumn Statement in November 2017, with no significant distributional changes. We assume (in line with government statements) that existing RSG and top-up payments continue; but the Services Grant and New Homes Bonus may be redistributed. We have assumed our share of this based on previous funding allocations; this implicitly assumes a broadly neutral effect of any funding changes. We have assumed that new social care grant funding is allocated on the same basis as in Government social care formulae. For 2025/26, we assume a cash flat settlement for centrally-funded elements including social care funding and RSG (with no allowance for inflation). The Autumn Statement implied real terms cuts of 0.7% for unprotected departments, which would include local government.	We do not yet have the details of local government funding for 2023/24 and 2024/25. Local government may be treated less favourably than other unprotected departments. The 2025/26 settlement may lead to grant cuts in cash terms.

Appendix Five

Earmarked Reserves

	Balance at 31st March 2022 £000
Ring-fenced Reserves	
DSG not delegated to schools	-
School Balances	30,095
School Capital Fund	2,491
Education & Skills Funding Agency Learning Programme	971
Arts Council National Portfolio Organisation Funding	319
NHS Joint Working Projects	25,013
Schools Buy Back	1,915
Covid-19 Collection Fund Compensation Grants*	13,397
Total Ring-fenced Reserves	**74,201**
Corporate Reserves	
Capital Programme Reserve	98,834
Managed Reserves Strategy	83,270
BSF Financing	9,034
Insurance Fund	11,495
Severance Fund	4,827
Service Transformation Fund	5,195
Welfare Reserve	2,551
Anti- Poverty Reserve	3,000
Total Corporate Reserves	**218,206**
Earmarked Reserves Departmental	
Financial Services Reserve	5,119
ICT Development Fund	10,480
Delivery, Communications & Political Governance	2,440
Housing	2,802
City Development (Excl Housing)	12,672
Social Care Reserve	9,998
Health & Wellbeing Division	5,631
Other Departmental Reserves	464
Total Other Reserves	**49,606**
Total Earmarked Reserves	**342,013**

Leicester
City Council

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MINUTE EXTRACT
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Minutes of the Meeting of the
ADULT SOCIAL CARE SCRUTINY COMMISSION

Held: THURSDAY, 19 JANUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Joshi (Chair)

Councillor Batool
Councillor Kaur Saini
Councillor March
Councillor Patel

In Attendance
Councillor Russell – Deputy City Mayor for Social Care and Anti-Poverty

* * *   * *   * * *

22. APOLOGIES FOR ABSENCE

The Chair led on introductions. It was noted that the item on the Hastings Road Day Care Centre will be taken first on the agenda, whilst the technical issue was resolved.

Apologies for absence had been received from Councillor Singh Johal.

23. DECLARATIONS OF INTEREST

The Chair declared that his wife worked in the Reablement Team at Leicester City Council.

24. MINUTES OF THE PREVIOUS MEETING

AGREED:
That the minutes of the meeting of the Adult Social Care Scrutiny Commission 8 December 2022 be confirmed as a correct record.

25. PETITIONS

The Monitoring Officer noted that none had been received.

26. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer noted that none had been received.

27. DRAFT REVENUE BUDGET AND DRAFT CAPITAL PROGRAMME 2023/24

Draft Revenue Budget

The Head of Finance introduced the report and provided a summary of the Draft Revenue Budget in relation to the Adult Social Care Scrutiny Commission.

As part of the summary, it was noted that £33million of managed reserves helped bridge the gap of estimated expenditure in the coming financial year, but it would not be possible in 2024/25 to cover the £44million needed to cover the gap between expenditure and funding coming in, since there would only be £22million left in reserves at the beginning of that year. Work was ongoing to bridge the gap and realign expenditure with £6million identified in savings during the current financial year and savings would be brought forward with appropriate consultations to reduce the gap.

The background behind the authority being in this situation was 10 years of austerity, the rising cost of social care, inadequate funding and moreover no additional funding for recent inflation. For example there was no additional funding in the settlement this year to address the future pay increases, the additional £10million estimate for additional energy costs and the Biffa Waste contract payments indexed to RPI. There was also the potential for further austerity beyond 2025.

Additional £12.6million that had been earmarked nationally for local implementation of reforms had been added to the budget to deal with current pressures, but it was noted that there was no systematic additional funding to address the underlying growth in demand. The estimated additional cost for Adult Social Care of £19million was estimated as being required for the growth in numbers of those who require care, the growth in the size of care packages to suit individual needs and the growth in the unit cost of care. Central government had allocated the funding based on the presumption that local authorities would raise council tax by 5%.

As part of the discussions with Members, it was noted that:

- There were no tangible savings made in 2022/23, but the service did not see as much growth in demand as had been expected and the increase had been accounted for in the overall budget for 2022/23
- The strength-based approach had slowed down the increase in expenditure and the budget for 2023/24 was based on the lower rate of increase
- The average amount of care provided had increased faster than in the rest of the country, the number of people of working age that required care had been growing and the local demographics meant that the service

were supporting a greater number of people but were focussed on a strength-based approach

The Strategic Director for Social Care and Education noted that the most efficient way to control the budget was to do the right thing with the right person at the right time and that over-providing care created a culture of dependency which resulted in a shorter and unhealthier life. Applying the strength-based practice was the best model that enabled staff to work with people where the outcome was not a service.

In response to Members' queries about the strength-based practice, it was noted that teams within the service worked with the individuals and family to set goals to try and reverse their decline in independence and build techniques to increase individual's capacities by setting goals and then reviewing. Each individual's cases were different, and reviews were based on goals set with the individuals based on their needs and there had been no fundamental disputes.

In further discussions it was noted that:

- Provisions had been made to cover the potential cost of reforms, with £5million in the budget which may or may not be required
- There were uncertainties around the 'fair cost of care' exercise and the government had indicated the level of funding that would be provided to cover the 'fair cost of care' rate but this should not be the rate for commissioning
- Best estimates were in place and with time this would be clearer

Members suggested that central government were unpredictable and setting budgets had been a difficult process. Members were reassured that the level of reserves supported the budgetary requirements, that the expectations that savings would be made in 2023/24 to support the budget in the following year, and that there would not be major cuts to the service.

The Chair noted that currently the situation was volatile and that predicting the future was difficult with funding for the service not matching the expenditure and that the savings made by the service were made from good estimates from officers setting budgets and underspending without cutting services but using the strength-based approach.

The Deputy City Mayor for Social Care and Anti-Poverty noted that the future could hold catastrophic levels of under funding would leave local authorities in a position that would be difficult to recover from and that the predictions were not accurate as the situation was ever changing.

AGREED:

1) That the Strategic Director for Social Care and Education and supporting Officers be thanked for the work carried out during such volatile times
2) That the concerns raised by the Commission be noted, and
3) That the Strategic Director for Social Care and Education be requested to continue to seek additional funding to support the service.

Draft Capital Programme

The Head of Finance introduced the report and provided a summary of the Draft Capital Programme in relation to the Adult Social Care Scrutiny Commission.

As part of the discussions Members of the Commission requested that the item on Supported Living be brought to the Commission as an update.

AGREED:

1) That the Strategic Director for Social Care and Education be requested to provide an update report on Supported Living. And
2) That the Draft Capital Programme report be noted.

Leicester City Council

MINUTE EXTRACT

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

Held: TUESDAY, 24 JANUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Batool (Chair)

Councillor Khan
Councillor Dr Moore
Councillor Thalukdar

Also Present

Councillor Russell, Deputy City Mayor
Councillor Cutkelvin, Assistant City Mayor
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52. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Willmott.

53. DECLARATIONS OF INTEREST

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

There were no declarations of interest.

57. DRAFT REVENUE BUDGET 2023/24 AND DRAFT CAPITAL PROGRAMME 2023/24

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2023/24. The Commission was recommended to consider and comment on the Children, Young People and Education element of the report. 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 on 22 February 2023.

The Head of Finance presented the item, the Draft Revenue Budget was presented first, it was noted that:

- The financial position of the Council remained very severe. The budget for 2023/24 could be balanced with reserves, however without making extra savings reserves would run out in 24/25.
- Savings were being made throughout the financial year with appropriate consultation and this would continue.
- There was no additional money from the Government to account for the high level of inflation which was impacting energy prices, staff pay and the waste contract. Departments generally would have to work within previous budgets and absorb inflationary costs.
- It was anticipated that funding for local government would be cut in the future as part of further austerity from 2025.
- Additional funding had been made available for Adult Social Care, however this was recycled funding from delayed reforms. The additional money would not cover the increase in ASC costs.
- With respect to the Children, Young People, and Education element of the budget, an increase of £3m had been put in for CLA placement costs.
- The number of EHCP referrals continued to grow substantially, this impacted the Dedicated Schools Grant and the General Fund which covered SEND Transport costs.
- SEND Transport costs had risen substantially due to the rise in demand and the inflationary impacts of fuel prices. A growth of £1.5m had been put in for SEND Transport.
- There would be a 5% increase in Council Tax.
- The allocation for the High Needs Block had been increased however it only addressed the previous year's overspend and would not be sufficient for 2023/24. There was a cumulative deficit of around £3.6m and this was likely to rise to £10m by the end of March 2023. DfE had extended legislation to allow the deficits to be ring fenced from Council reserves and carried forward until March 2026.
- The most effective way of reducing the cost burden of SEND placements would be by reducing the demand for the EHCP.
- DfE had stated that their SEND Improvement Plan would work to address the demand for EHCPs.
- A formal Management Recovery Plan to mitigate the deficit was being produced in cooperation with DfE. This would need to go through the Scrutiny process.
- DfE had mentioned informally that the council appeared to have either already taken or were in the process of implementing the measures that the DfE would recommend in order to make savings.
- The costs of Taxi contracts for SEND Transport had risen dramatically. Therefore, increasing the use of the Personal Transport Budget was a high priority. Families were now offered the personal budget first and there was a high take up.
- CLA numbers had stayed steady, this was despite an increase in poverty and the number of unaccompanied asylum seekers in the city. This was against the national trends. Ofsted had stated that the thresholds for taking children into care in Leicester were correct.

Executive Members addressed the situation, noting their frustrations that the current situation meant that longer-term work to improve Services could not be a priority in light of the immediate crisis.

- Work was ongoing to encourage parents that their children could be successfully supported without an EHCP in many cases.
- In August 2021 there were 28 users of the Personal Transport Budget, by September 2022 this had increased to 155, a significant increase. This was largely due to the budgets being offered to parents first.
- The allowance in the Personal Transport Plan was calculated on a per-mile basis based on HMRV mileage rates. The rates for SEND taxi contracts were significantly higher on a per-mile basis than the cost of a personal budget.
- There had previously been a closed framework for bidding for SEND taxi jobs, however there had recently been an open system brought in where a taxi firm only needed to meet a certain set of standards. There were around 35 firms on the new framework however most of those had not bid for any work and competition for individual jobs was not high.
- Individual journeys on the SEND taxis were often combined but couldn't always be due to individual complexities. The further use of buses and minibuses was being explored.
- The Council's in-house children's homes were less expensive than independent provision, however these homes were often not at full capacity and were easier to access as they were in the city boundary. There was also a focus on longer term placements as opposed to distress purchasing.
- Councils were not permitted to move large amounts from mainstream school funding to the High Needs Block without permission from either the Schools Forum and the Secretary of State. This was felt to be ineffective and was not being considered by the Council.
- It was thought that the cumulative deficit in the High Needs Block would not be extinguished unless the Government wrote off the deficit.

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The Capital Budget was presented next. It was noted that the only relevant issue in the Capital Programme was an increase of £15.6m for Children's Services.

AGREED:

1. That the Commission notes the Draft Revenue Budget and Draft Capital Programme for 2023/24.
2. That the Commission requests that the numbers of EHCP parental referrals be sent to Commission Members.

Leicester
City Council

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MINUTE EXTRACT
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Minutes of the Meeting of the
ECONOMIC DEVELOPMENT, TRANSPORT AND CLIMATE EMERGENCY SCRUTINY COMMISSION

Held: THURSDAY, 26 JANUARY 2023 at 5:30 pm

P R E S E N T :
Councillor Joel(Chair)
Councillor Fonseca (Vice Chair)

Councillor Sandhu
Councillor Waddington
Councillor Whittle

Also in attendance:
Deputy City Mayor – Councillor Clarke
Assistant City Mayor – Councillor Myers

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126. APOLOGIES FOR ABSENCE

Councillor Joel as Chair led on introductions.

The Monitoring Officer noted that apologies for absence had been received from Councillor Porter, Councillor Rae Bhatia and Councillor Valand.

127. DECLARATIONS OF INTEREST

There were no declarations of interest.

128. MINUTES OF THE PREVIOUS MEETING

AGREED:

That the minutes of the meeting of the Economic Development, Transportation and Climate Emergency Scrutiny Commission on 7 December 2022 be confirmed as a correct record.

129. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer noted that none had been received.

130. PETITIONS

The Monitoring Officer noted that none had been received.

131. DRAFT REVENUE BUDGET AND DRAFT CAPITAL PROGRAMME 2023/24

The Head of Finance presented a report and provided an overview of the Draft Revenue Budget. It was noted that:

- The main issues affecting the budget were the decade of austerity, two year stop gap to get through the Covid-19 Pandemic and the recent rise in inflation.
- The potential of a new period of austerity.
- above inflationary cost pressures in Adult Social Care as a consequence of growth of those in need although additional recycled funding for Adult Social Care after delaying promised reforms was suggested in the Autumn Statement
- Due to the rise in inflation, £10 million of budget was being set aside for energy costs.
- A significant factor was staff pay, in 2022/23 saw 6.4% added to the pay bill. This was £7.4 million above what had been budgeted.

It was further noted that the final report to go to Budget Council would have the latest figures. Using the manged reserves strategy had shielded the authority from whilst other authorities were contemplating bankruptcy.

As part of the discussions with Members, it was noted that:

- There were a number of ways to bridge the gap and managing savings to continue to help build the reserves were some of the proposals in place. Additionally, sourcing government grants and focusing on cost reduction.
- It is not anticipated that the figures will change significantly as a result of the finance settlement.
- Departmental savings that have already been declared would be made through cashless payment systems and deleting vacant posts in Planning, Development and Transportation.
- Most work in Economic Development was delivered through grant funding
- The Adult Education service was budgeted to contribute £870k to the council's overall budget.

The Director for Planning, Development and Transportation noted that the transition to cashless systems for parking would be a journey cognisant of the different needs of groups in society and migrate away from cash as people become familiar with the technology available.

Following the concerns raised by Chair with various projections of health inequalities, the Head of Finance noted that public health is expected to manage pressures within its budget, which is the default position for all departments.

<u>Capital Programme</u>
The Head of Finance provided an overview of the Capital Programme. It was noted that:

- The Capital Budget was a limited programme on a one-year budget.
- The Head of Finance outlined the main parts of the proposed programme which related to the EDTCE commission.

As part of the discussion Members were impressed with the delivery of projects. The Deputy City Mayor for Transport and Climate Emergency noted that co-ordinated work, helped have a real impact across the city.

It was also noted that individual capital scheme information could be provided to Members outside of the meeting on request and Members had the opportunity to suggest schemes for the local environment works list for consideration.

In further discussions, Members queried the infrastructure to support the Electric Vehicles (EV's). It was noted that:

- The report outlined the budget for the council's fleet change
- All Park and Ride buses were EV's, including the Hospital Hopper and the city centre loop bus which was to be introduced
- Zebra funding would support 96 EV busses to be introduced to the commercial bus fleet which would make 1/3 of all commercial busses electric, and make the city leaders nationally outside of London
- The introduction of new car charging points in the city centre would follow in the very near future
- Some residential areas have had had charging points installed as a pilot
- The development of the EV Strategy was in progress, this would come before the Commission for consideration.

AGREED:

1) That the comments raised by the Commission be considered
2) That the Commission note the context of the report, and
3) That the Commission await the decision at Budget Council in February 2023.

Leicester
City Council

Extract

Minutes of the Meeting of the
HEALTH AND WELLBEING SCRUTINY COMMISSION

Held: TUESDAY, 17 JANUARY 2023 at 5:30 pm

P R E S E N T :

Pantling (Chair)
Councillor O'Donnell (Vice-Chair)

In Attendance:

Councillor Aldred
Councillor Khan
Councillor Nangreave
Councillor Pantling
Councillor Sangster

In Attendance:
Councillor Dempster, Assistant City Mayor – Health

Also Present:
Ivan Browne – Director of Public Health

43. APOLOGIES FOR ABSENCE

There were no apologies for absence.

44. DECLARATIONS OF INTEREST

There were no declarations of interest made.

53. DRAFT GENERAL FUND REVENUE BUDGET

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2023/24. The Commission was recommended to consider and comment on the Health and Wellbeing element of the report. The Commission's comments would be forwarded to the Overview Select Committee as part of its consideration of the report before being submitted to the Budget Council meeting on 22nd February 2023.

Martin Judson, Head of Finance presented the item.

It was noted that:

- The budget for 2023/24 was £345m, with the expected spend to be £378m.
- To balance the budget, the Council's managed reserves would need to be used.
- The reserves were currently £55m, with £33m being used to support the 2023/24 budget.
- Following the usa~~ge~~ of reserves for 2023/2024 budget, only £22m remained in reserves to support 2024/25 where a £44m gap was estimated. In 2025/26 there would be no reserves at all, with an estimated gap of £65m.
- In order to address the lack of reserves, savings would be brought forward throughout 2023/24 with appropriate consultation, to reduce the gap over the next coming years. To support the Council being reliant upon reserves to balance the budget.
- To date £6m of savings had been identified for the financial year ahead.
- The background to this severe financial position is due to the 10 years of austerity, the rising social care costs for both adults and children and that costs have not been matched by increases in income.
- There had not been any additional money in the settlement for inflation.
- The Government's autumn statement outlined that there would likely be further austerity from 2025/26.
- New funding had been made available for Councils to use for social care this year, due to the delay in adult social care reforms on capping the individual's social care costs over their lifetime.
- Although additional funding of £12m had been received for social care, this would not exceed the additional costs that the Council would face in terms of adult social care which were £19m.
- The Government had allowed the Council to increase Council Tax by 5%, which included 2% social care levy, as recommended in the report.
- The public health grant for next year, was not currently known, the national position was a 2% increase overall.

In response to Member's questions, it was noted that:

- There was no suggestion that there could be a reduction in the Public Health Grant, the suggestion proposed was to incorporate the grant within the overall Local Authority Funding.

AGREED:

That the Draft Revenue Fund Budget Report for 2023/24 be noted.

Leicester City Council

Minute Extract

Minutes of the Meeting of the
HERITAGE CULTURE LEISURE AND TOURISM SCRUTINY COMMISSION

Held: TUESDAY, 10 JANUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Halford (Chair)

Councillor Dr Barton | Councillor March

Also Present

Councillor Clair, Deputy City Mayor

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53. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Dawood and Shelton.

The Chair noted that the meeting was currently inquorate, the meeting could still proceed as a briefing however the Commission could not take any formal decisions while inquorate.

54. DECLARATIONS OF INTEREST

Members were asked to declare any interests they had in the business on the agenda.

There were no declarations of interest.

57. COUNCIL DRAFT BUDGET REPORTS

Councillor Barton arrived partway through consideration of this item, at this point the meeting became quorate.

The Director of Finance submitted a report on the Council’s Draft Revenue Budget and Draft Capital Programme budget for the financial year 2023/24.

The Head of Finance presented the Draft Revenue Budget first, it was noted that:

- The final details of the finance settlement with the Government had yet to be finalised, however is available the final details would be included in the report which went to Full Council.
- Important background context for the budget was the decade of austerity, the Covid pandemic, and the inflationary pressure on Adult Social Care Services.
- Other inflationary pressures were on energy costs, staff pay, and waste disposal.
- The Government had indicated that it would be making further spending cuts, with local government funding likely to see some of the worst cuts.
- Councils were now permitted to raise Council Tax by 5% without a referendum, this was proposed in the Draft Budget. Additional Council Tax would also be placed on furnished empty properties. Additional funding had been received to support those receiving Council Tax support, meaning that some would see a reduction in their Council Tax bills.
- The Fair Funding Review had been deferred to the next Parliament.
- The approach to achieving budget reductions was to make savings in a planned way. This had left an estimated £55m in reserves. The current budget gap was £33m, so this was the maximum that would be brought from reserves.
- Further savings were essential, present projections showed that without further savings, reserves would run out in 24/25.

In response to a Member question it was noted that the budget did not show the total spend versus income of each department and service. The budget showed the budgeted cost to the Council of each department and service after income.

In response to a Member question it was noted that savings in the budgets for Arts and Museums would not come from significant cuts to services but would instead come from a reduction in some running costs and a change in income targets.

The Head of Finance presented the Draft Capital Programme next, it was noted that:

- This was a 1-year programme, a longer-term programme was not currently possible due to the economic uncertainty.
- Spending of note for the Commission was £100k for parking spaces at Phoenix, £2.5m for supporting Multi-Use Games Areas, £340k for the purchase of and works at St Pauls Church, £185k for new heritage panels, and £50k for grants for the repair of historic buildings.
- Identifying any potential further funding streams was a continual part of the budgeting process.

In response to a Member question it was noted that the Council had been trying to work with the owners of St Pauls Church to get the necessary works completed for many years.

AGREED:

1. That the Commission notes the Draft Revenue Budget and Draft Capital Programme for 2023/24.
2. That the Commission requests that further details of budget from each department in the Commission area be provided to the Commission, including details of income.
3. That the Commission requests further information on the purchase of St Pauls Church.

Leicester
City Council

Extract

Minutes of the Meeting of the
NEIGHBOURHOOD SERVICES SCRUTINY COMMISSION

Held: THURSDAY, 12 JANUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Thalukdar(Chair)
Councillor Solanki (Vice Chair)

In Attendance:
Councillor Clair, Deputy City Mayor for Culture, Leisure, Sport, and Regulatory Services

51. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Clarke, O'Donnell, Pickering and Rahman and Caroline Tote.

The Chair noted that Councillors Byrne, Kitterick, Modhwadia, O'Donnell, Pickering and Rahman were absent, and the meeting was therefore inquorate.

As there was not a quorum present the meeting stood adjourned for (fifteen minutes) to allow for any late attendees.

As the meeting was inquorate it could not proceed as a formal meeting, however the Chair decided to proceed with an informal meeting.

52. DECLARATIONS OF INTEREST

There were no declarations of interest.

57. DEPARTMENTAL DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2023/24. The Commission was recommended to consider and comment on the Neighbourhood Services element of the report. 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 on 22nd February 2023.

Amy Oliver, Director of Finance, presented the item, it was noted that:

- The main issues affecting the budget were the decade of austerity, two year stop gap to get through the Covid-19 Pandemic and the recent rise in inflation.
- There were expectations of further grant cuts in 2025/26, as the government hinted at a new period of austerity.
- Experiencing above inflationary cost pressures in adult social care as a consequence of growth of those in need and increases in the national living wage paid to the staff employed as care providers. The overall impact had been 50% increase on cost of providing care packages since 2016/17 which reached £142 million in 2021/22 with the trend expected to continue.
- The impact of austerity had seen the grant fall from £289 million to £179 million on a like for like basis between 2010 and 2020.
- Due to the rise in inflation, £10 million of budget was being set aside for energy costs.
- A significant factor was staff pay, in 2022/23 saw 6.4% added to the pay bill. This was £7.4 million above what had been budgeted.
- The managed reserve strategy noted in the report showed that there was an estimated £55 million in reserve. This meant that the £33 million budget gap would be managed through that reserve.
- A 5% increase was proposed for Council Tax.
- The Capital Budget was a limited programme on a one year budget.
- A £2.6 million provision was set out for parks and play areas, of which £2.5 million was proposed for investment into multiuse games areas (MUGA) program across the city.
- £1 million had been proposed for investment into a policy provision for the library service.

In response to Member's questions, it was noted that:

- The City Mayor would continue to make cost saving decisions throughout the financial year as they were identified and any savings made would go into reserve.
- Approximately £6 million in revenue would be generated from the rise in Council Tax.
- A local council tax support scheme would be available for people receiving benefits. The 5% increase was based on an average for band D properties and most Leicester residents would pay less.
- Work was being done to help support residents that identified as vulnerable,
- The district heating scheme was still a work in progress and had been revised since previously discussed and would be kept under review until Full Council meeting.
- The £4 million provided to support the capital maintenance program would be used for general works on council properties and maintaining them to

keep to the standard required. It was a priority area of work that looked at asset condition and risk survey.

- The multiuse games program phase one was expected to be on site in the spring 2023, reports were being finalised. The Library program would be later on in the financial year.

AGREED:

1. That the reports be noted.
2. That the comments made during discussion be taken into account by officers.

Draft Capital Programme 2023/24

Decision to be taken by: Council

Date of meeting: 22 February 2023

Lead director: Amy Oliver, Director of Finance

Useful information

- ■ Ward(s) affected: All
- ■ Report author: Ben Matthews
- ■ Author contact details: Ben.Matthews@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 2023/24**.**

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

1.3 For the past three years the Council has set a one year capital programme, due to uncertainty over future resources. This uncertainty remains, and currently includes:

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

We are therefore presenting another one year programme, of limited scale. This will enable capacity to be focussed on key schemes and allow time to see the long-term impact of inflation.

Schemes already approved and in the current programme will continue.

1.4 The report seeks approval to the "General Fund" element of the capital programme, at a cost of £46m. In addition to this, the HRA capital programme (which is elsewhere on your agenda) includes works estimated at £29m, £15m of which relates to the affordable homes programme.

1.5 The table below summarises the proposed spending for capital schemes starting in 2023/24, as described in this report:-

	£m
Proposed Programme	
Schemes – Summarised by Theme	
Grant Funded Schemes	23.7
Highways & Infrastructure	5.3
Libraries	1.0
Own buildings	4.7
Parks & Play Areas	2.6
Routine Works	5.7
Feasibility and Contingencies	3.0
Total New Schemes	**46.0**
Funding	
Monies ringfenced to Schemes	44.1
Unringfenced Resources	2.1
Total Resources	**46.2**

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

	£m
General Fund	46.0
Housing Revenue Account	29.0
Total	**75.0**

1.7 The Council's total capital expenditure now forecast for 2023/24 and beyond is expected to be around £400m, including the HRA and schemes approved prior to 2023/24.

1.8 The capital programme is split into two parts:-

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

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

1.9 Immediate starts have been split into three categories:-

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

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

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

2. Recommendations

2.1 The Council is asked to:-

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

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

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

(d) For the purposes of finance procedure rules:

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

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

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

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

(f) In respect of Government investment programmes for which the Council receives grant as the accountable body to the Leicester and Leicestershire Enterprise Partnership (LLEP):-

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

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

(h) Approve the capital strategy at Appendix 6.

3. Proposed Programme

Key Policy Issues

3.1 The key focus of the 2023/24 capital programme is to deliver strategic objectives as far as possible. It is a limited one year programme, but nonetheless complements the existing programme and aims to support the City Mayor's delivery plan.

3.2 The programme is based on key themes, shown at paragraph 1.5 above.

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

3.4 Similarly, our commitment to invest in the whole city cuts right across our capital programme. Capital investment will benefit the entire city from our outer estates to the city centre.

Resources

3.5 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.

3.6 Appendix One presents the resources available to fund the proposed programme, which total some £46.2m. The key unringfenced funding sources are detailed below.

(a) £2.1m of general capital receipts and £0.7m of Right to Buy Receipts;

(b) £21.7m of unringfenced grant funding. Some of these figures are estimated in the absence of actual allocations from the Government (the figure for 2024/25 represents a first call on that year to enable school schemes to be planned);

(c) £19.6m of resources brought forward, consisting of money set aside in previous years for covid recovery schemes which has been reprioritised, money for schemes which have now been funded from section 106 contributions, savings from completed programmes and previous years' underspends.

3.7 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 are under severe pressure. £2.1m of general capital receipts are available for 2023/24 based on receipts received or due at the time of writing. Subsequent receipts will be available to fund the 2024/25 programme.

3.8 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.

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

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

(b) Borrowing. Because borrowing has an impact on the revenue budget, it is only used for reasons detailed in capital strategy at Appendix 6 of this report;

(c) Earmarked reserves, such as the Transformation Fund

3.10 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.

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

Proposed Programme

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

3.13 £23.7m is provided for grant funded schemes. These schemes are funded either from unringfenced grant (where we have discretion) and ringfenced resources.

(a) £15.9m has been provided to continue with the **Schools Capital Improvements Programme.** The programme will include routine maintenance and spending is prioritised to reflect asset condition and risk. This will be a 2 year programme to allow for better forward planning. The proposed programme is shown at Appendix 5: detailed schemes will be developed following consultation with schools.

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

(c) £2.6m is provided in 2023/24 to continue the rolling programme of works constituting the **Transport Improvement Programme**.

Some of the priority areas include:

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

(d) £1.9m has been provided for **Disabled Facilities Grants** to private sector householders. 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

(e) £150,000 is provided for **Grounds Maintenance Equipment** to replace ageing machinery with up to date, energy efficient models. The replacement of this equipment is met from borrowing, and a revenue budget exists for this purpose.

3.14 £5.3m is provided for Highways & Infrastructure.

(a) £3m has been set aside for **St Margaret's Gateway.** The Council was successful in bidding for levelling up funds in 2021, and further money has now been made available to improve this gateway into the city.

(a) £1.8m is provided for additional **Highways Transport and Infrastructure** works. This money will enhance the city centre and local centres through improvements to public realm, and improve accessibility by modes other than use of private cars.

(b) £460,000 has been provided to replace the existing **St Nicholas Wall** due to its current condition. The works will be undertaken following engagement and agreement with Historic England.

3.15 £1m is provided for Libraries.

(a) £1m is provided for **Library Investment,** to transform local libraries into facilities capable of delivering multiple customer facing services.

3.16 £4.7m is provided for the Council's own buildings.

(a) £4m has been provided to support the annual **Operational Estate Capital Maintenance Programme** of works to properties that the Council occupies for its own use. This is a rolling annual programme and spending is prioritised to reflect asset condition and risk. The proposed programme is shown at Appendix 3, but may vary to meet emerging operational requirements.

(b) £400,000 has been provided for **Decarbonisation of Malcolm Arcade**. Carbon reduction measures such as improvements to natural ventilation, solar panels and natural light improvements will be undertaken.

(c) £195,000 is provided to complete the final phase of the district heating programme, **connecting Aikman Avenue** to the existing district heating network.

(d) £100,000 has been provided for additional car parking spaces at **Phoenix Arts** following the expansion of the cinema and arts centre.

3.17 £2.6m is provided for Parks & Play Areas.

(a) £2.5m has been provided to support the improvement of the Councils **Multi Use Games Areas (MUGA's)**. This will help increase physical activity and participation in recreational sport across the city.

(b) £150,000 has been provided for **Spinney Hill Park Play Area Refurbishment.** The works will include resurfacing and the replacement of play equipment.

3.18 £5.7m is provided for Routine Works.

(a) £3.8m has been made available for the annual **Fleet Replacement Programme.** Wherever possible, ultra low emission vehicles (ULEVs) will be sought to support the Council's climate emergency response. In previous years, this programme has been funded by borrowing, but in 2023/24 it will be funded from corporate resources to reduce revenue budget pressures.

(b) £400,000 has been provided for **Local Environmental Works** in wards. This scheme will focus on local neighbourhood issues including residential parking, local safety concerns, pedestrian routes, cycle ways and community lighting to be delivered after consultation with ward members.

(c) £400,000 has been provided for the compulsory purchase and statutory works at **St Paul's Church,** as part of the Council's obligation to prevent irreparable damage to listed buildings. Whilst these works will initially need to be funded by the Council, on completion the Council will be able to sell the building to recoup these costs.

(d) £300,000 is provided to continue the **Flood Risk Prevention** scheme into 2023/24. 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.

(e) £200,000 has been provided for the **Front Walls Enveloping** Scheme and is a continuation of previous schemes. It involves the enclosure of small spaces in front of housing. Enveloping schemes can make a significant improvement to local neighbourhoods and enable occupiers to tend house fronts more effectively.

(f) £200,000 is provided in 2023/24 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.

(g) Following the success of the current scheme, £185,000 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.

(h) £130,000 will pay for specialist equipment to fell trees affected by **Ash Die Back** that pose a risk to the public.

(i) £50,000 has been provided for a **Historic Building Grant Programme**. This will provide match funding to city residents and organisations to support the repair of historic buildings and the reinstatement of lost original historic features.

(j) £50,000 continues to be made available for **Acquisition of Long Term Empty Homes**. 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.

3.19 £3m is provided for feasibility and contingencies:.

(a) £1.5m is provided for **Feasibility Studies**. This will enable studies to be done, typically for potential developments not included elsewhere in the programme or which might attract grant support, without requiring further decisions.

(b) A **Programme Contingency** of £1.5m has been set aside for cost pressures arising from construction inflation, or (if not needed for this purpose) for any emerging capital needs such as match funding for new government programmes.

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

3.20 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.

3.21 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.

3.22 Some of the schemes described above will be treated as policy provisions. These are denoted as such in Appendix Two.

Capital Strategy

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

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

Consultation

3.25 To be added later following consultation.

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

4.1 Financial implications

4.1.1 This report is exclusively concerned with financial matters.

4.1.2 There is proposed prudential borrowing in the programme for replacement grounds maintenance machinery for £150k. The anticipated revenue costs arising will be £13k 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).

4.2 Legal implications

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

Kamal Adatia, City Barrister & Head of Standards

4.3 Equalities implications

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

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

4.3.3 People from across all protected characteristics will benefit from the improved public realm arising from the proposed capital programme. However, as the proposals are developed and implemented, consideration should continue to be given to the equality impacts of the schemes in question, and how they can help the Council to meet the three aims of the 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 Facilities Grants (disability), home repair grants which are most likely to be accessed by elderly, disabled people (age and disability), and the Children's Capital Improvement Programme (age).

4.3.6 Other schemes target much larger groups of people who have a range of protected characteristics reflective of the diverse population within the city. Some schemes are place specific and address environmental issues that also benefit diverse groups of people. The delivery of the capital programme contributes to the Council fulfilling our 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, based on a protected characteristic. All schemes should consider the PSED and conducting Equality Impact Assessments where relevant to inform the process.

Kalvaran Sandhu, Equalities Manager

4.4 Climate Emergency implications

4.4.1 The city council declared a climate emergency in February 2019 and is delivering it's Climate Emergency Strategy & Action Plan, which sets an ambition for the council and city to achieve net zero carbon emissions. The council is one of the largest employers and landowners in the city, with a carbon footprint of 16,852 tCO_2e from its own operations. The council therefore has a vital role to play in reducing emissions from its operations, working with its partners and leading by example on tackling the climate emergency in Leicester. The report notes the importance of tackling the climate emergency through the capital programme, with a number of the projects outlined directly playing a positive role in reducing carbon emissions in the city.

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

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

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

Aidan Davis, Sustainability Officer

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

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

5. Background information and other papers:

6. Summary of appendices:

Appendix 1 – Corporate & Unringfenced Capital Resources.

Appendix 2a - A City to Enjoy

Appendix 2b – A Fair City

Appendix 2c – Health and Care

Appendix 2d – Lifelong Learning

Appendix 2e – Sustainable Leicester

Appendix 2f – Operational Estate

Appendix 2g – Routine Works

Appendix 2h – Other

Appendix 3 – Operational Estate Maintenance Capital Programme

Appendix 4 – Highways Maintenance Capital Programme

Appendix 5 – Children's Capital Improvement Programme

Appendix 6 – Capital Strategy 2023/24

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

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

Report Author: Ben Matthews

Appendix One

Capital Resources

	23/24	24/25	Total
	{£000}	*{£000}*	*{£000}*
Resources Brought Forward			
Previous years' savings	19,630	-	**19,630**
Total One Off Resources	**19,630**	**-**	**19,630**
Capital Receipts			
General Capital Receipts	2,082	-	**2,082**
Council Housing - Right to Buy Receipts	700	-	**700**
Total Receipts	**2,782**	**-**	**2,782**
Unringfenced Capital Grant			
Education maintenance	9,855	6,000	**15,855**
Integrated Transport	2,576	-	**2,576**
Transport maintenance	3,262	-	**3,262**
Total Unringfenced Grant	**15,693**	**6,000**	**21,693**
TOTAL UNRINGFENCED RESOURCES	**38,105**	**6,000**	**44,105**
Ringfenced resources	**2,131**	**-**	**2,131**
TOTAL CAPITAL RESOURCES	**40,236**	**6,000**	**46,236**

Appendix 2a

Grant Funded Schemes

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Grant Funded Schemes					
Children's Capital Maintenance Programme	CDN (EBS)	WP	15,857	-	**15,857**
Highway Capital Maintenance	CDN (PDT)	WP	3,262	-	**3,262**
Transport Improvement Works	CDN (PDT)	WP	2,576	-	**2,576**
Disabled Facilities Grants	CDN (HGF)	WP	-	1,861	**1,861**
Grounds Maintenance Equipment	CDN (NES)	WP	-	150	**150**
TOTAL			**21,695**	**2,011**	**23,706**

Key to Scheme Types : PJ = Project; WP = Work Programme

Summary of Ringfenced Funding

	{£000}
Disabled Facilities Grant	1,861
Prudential Borrowing	150
TOTAL RINGENCED FUNDING	**2,011**

Appendix 2b

Highways, Transport & Infrastructure

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Highways, Transport & Infrastructure					
St Margaret's Gateway	CDN (PDT)	PP	3,000	-	**3,000**
Highways, Transport & Infrastructure	CDN (PDT)	PP	1,800	-	**1,800**
St Nicholas Wall	CDN (EBS)	PJ	460	-	**460**
TOTAL			**5,260**	**-**	**5,260**

Key to Scheme Types : PJ = Project ; PP = Policy Provision

Appendix 2c

Libraries

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Libraries					
Library Investment	CDN (NES)	PP	1,000	-	**1,000**
TOTAL			**1,000**	**-**	**1,000**

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

Appendix 2d

Own Buildings

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Own Buildings					
Operational Estate Maintenance	CDN (EBS)	WP	4,000	-	**4,000**
Malcolm Arcade - Decarbonisation	CDN (EBS)	PJ	400	-	**400**
Aikman Avenue District Heating	CDN (EBS)	PJ	195	-	**195**
Phoenix Arts Car Park	CDN (EBS)	PJ	100	-	**100**
TOTAL			**4,695**	**-**	**4,695**

Key to Scheme Types : PJ = Project ; WP = Work Programme

Appendix 2e

Parks & Play Areas

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Parks & Play Areas					
Multi Use Games Areas (MUGAs)	CDN (NES)	PJ	2,500	-	**2,500**
Spinney Hill Park Play Area Refurbishment	CDN (NES)	PJ	150	-	**150**
TOTAL			**2,650**	**-**	**2,650**

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

Appendix 2f

Routine Works

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Routine Works					
Fleet Replacement Programme	CDN (HGF)	WP	3,795	-	**3,795**
Local Environmental Works	CDN (PDT)	WP	400	-	**400**
St Paul's Church	CDN (EBS)	PJ	400	-	**400**
Flood Risk Prevention	CDN (PDT)	WP	300	-	**300**
Front Walls Enveloping	CDN (PDT)	WP	200	-	**200**
Repayable Home Repair Loans	CDN (HGF)	WP	200	-	**200**
Heritage Panels	CDN (TCI)	WP	185	-	**185**
Ash Die Back Equipment	CDN (NES)	PJ	130	-	**130**
Historic Building Grant Fund	CDN (PDT)	WP	50	-	**50**
Empty Homes Acquisition Programme	CDN (HGF)	PV	50	-	**50**
TOTAL			**5,710**	**-**	**5,710**

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

Appendix 2g

Feasibilities and Contingencies

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Feasibilities and Contingencies					
Programme Contingency	All Divisions	PP	1,500	-	**1,500**
Feasibility Studies	CDN (Various)	WP	1,345	120	**1,465**
TOTAL			**2,845**	**120**	**2,965**

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

Summary of Ringfenced Funding

	{£000}
Transformation Fund (Earmarked Reserves)	120
TOTAL RINGENCED FUNDING	**120**

	Corporate Programme Funding	Ringfenced Funding	Total Approval
GRAND TOTAL – ALL SCHEMES	**43,855**	**2,131**	**45,986**

Appendix 3

Operational Estate Maintenance Capital Programme

Description	Amount £000's
Accessibility Works - To review the accessibility of complex sites in line with the Equalities Act.	55
Building Works - Essential maintenance at the Council's operational and investment buildings. Key works include a roof replacement and lifecycle replacements in line with lease agreements.	818
Compliance Works - Generally consisting of surveys to gain condition data across the estate and works arising from the various risk assessments that are undertaken.	440
Electrical Works - Replacement fuse boards, fire alarms, mains distribution panels and lighting works.	345
Mechanical Works - Ventilation and plumbing works required at the Council's neighbourhood centres and open spaces.	99
Sustainability Works - to carry out works to aid the decarbonisation of the Council's estate. Including works to support the energy efficiency technology programme that is in the current capital programme.	1,969
Emergency Provision – Provision for emergency reactive works that could be required across the Council's estate	274
TOTAL	**4,000**

Appendix 4

Proposed Highways Maintenance Capital Programme

Description	Amount £000's
Major Public Realm & Transport Improvement Schemes - Public realm and transport maintenance works associated with transforming cities and active travel fund	100
Principal Roads – Broad Avenue (The Langhill to Gwendolen Road), Victoria Road East (Gipsy Lane to Hastings Road)	500
Classified Non-Principal Roads – Saffron Lane continuation (Burnaston Road to Pork Pie Island), University Road (Welford Road to Regent Road)	365
Unclassified Neighbourhood Roads – Regent Road (Welford Road to Waterloo Way)	135
LEAN Carriageway & Pothole Repairs – Target large carriageway pothole repairs to provide longer term repairs in readiness for surface dressing.	410
Footway Relays and Reconstructions – Focus on local neighbourhood priorities; Narborough Road continuation, Melton Road footway improvements, Outer estate footway improvement schemes and cycleway resurfacing schemes.	627
Strategic Bridge Deck Maintenance & Replacement Works Friday Street bridge and Burleys Way feasibility study.	185
Bridge Improvement & Maintenance Works – Parapet replacements, structural maintenance works and technical assessment review project.	200
Traffic Signal Installations Renewals and Lighting Column Replacements – Signalling Upgrades, Lamp Column Replacements, Illuminated Bollards and Sign Replacements.	240
DfT / Whole Government Accounting Lifecycle Asset Management Development Project – Strategic asset management development, data analysis, lifecycle planning and reporting in support of DfT Challenge Funding bidding linked to asset management performance.	500
TOTAL	**3,262**

Appendix 5

Children's Capital Improvement Programme

Description	Amount £000's
Building Works - Typical works include roof replacements, sports hall floor replacements, playground resurfacing and window replacements.	5,060
Compliance Works - This work stream will mainly be used to ensure the playing fields and pavilions used by schools are fully compliant with current regulations and to conduct health and safety works.	2,165
Mechanical Works - schemes being undertaken within the programme typically consist of re-piping heating systems and end of life ventilation replacements	1,185
Safeguarding Works - building works to ensure sites are secure.	400
Sustainability Works - to carry out works to aid the decarbonisation of the Council's estate. Including works to support the energy efficiency technology programme that is in the current capital programme.	6,407
Individual Access Needs Works - This is a provision to allow works to be carried out to enable children with additional needs to access mainstream school.	195
Emergency Provision - This is provision within the programme to allow for emergency unforeseen works to be carried out.	445
TOTAL	**15,857**

Appendix 6

Capital Strategy 2023/24

1. Introduction

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

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

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

2. Capital Expenditure

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

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

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

2.2 The capital programme is split into:-

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

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

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

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

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

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

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

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

2.6 The authority does not capitalise expenditure, except where it can do so in compliance with proper practices: it has never applied for directions to capitalise revenue expenditure.

2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2023/24. It therefore, includes latest estimates of expenditure from the 2022/23 programme that will be rolled forward.

Department / Division	**2022/23 Estimate £m**	**2023/24 & Beyond Estimate £m**
All Departments	-	7.7
Corporate Resources	0.2	3.0
Planning, Development & Transportation	59.2	106.1
Tourism, Culture & Inward Investment	12.7	39.0
Neighbourhood & Environmental Services	1.8	3.9
Estates & Building Services	20.8	24.6
Adult Social Care	0.6	6.4
Children's Services	15.8	29.0
Public Health	2.1	2.5
Housing General Fund	5.5	13.2
Total General Fund	**118.7**	**235.4**
Housing Revenue Account	34.3	172.4
Total	**153.0**	**407.8**

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

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

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

3. Financing Capital Expenditure

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

	2022/23 Estimate £m	2023/24	2024/25	2025/26
HRA	265	301	316	336
General Fund	266	262	259	254

(The table above excludes PFI schemes).

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

4. **Debt Repayment**

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

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

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

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

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

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

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

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

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

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

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

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

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

	2022/23 %	**2023/24 %**	**2024/25 %**
General Fund	1.1	0.5	0.5
HRA	11.4	13.6	14.9

5. **Commercial Activity**

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

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

(b) The Council will not make investments outside of the 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.

Council

Treasury Management Strategy 2023/24

Decision to be taken by: Council

Overview Select Committee: 9th February 2023

Council: 22nd February 2023

Lead director: Amy Oliver,

Director of Finance

Useful information:

- Ward(s) affected
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- Report version number

1. Purpose of Report

1.1 This report proposes a strategy for managing the Council's borrowing and cash balances during 2023/24 and for the remainder of 2022/23. (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 having been very low since the financial crisis of 2007/08, they have started to rise to what previously seemed to be more normal rates, with significant rises in 2022/23. As our loans are at fixed rates, rises in interest rates only affect the interest earned on our cash balances. As a result, the Council's treasury management budget position for 2022/23 and future years has improved. The expectation is that the Bank of England Monetary Policy Committee will continue to raise rates in 2023, although rates may potentially start to fall in 2024. Though it seems very unlikely that they would fall back to rates of 0.5% and below.

3. Recommendations

3.1 The Council is recommended to approve this Treasury Management 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 the 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 2022, the Council had a total long-term debt of £180m. comprising £135m borrowed from the Public Works Loans Board (PWLB) (a Government quango), and £45m from the financial markets. This position had not changed by 3rd January 2023 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 25 to 54 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 and very low interest rates made this prohibitively expensive for PWLB debt. However, if long term interest rates rise further this may potentially become affordable in the future.

4.5 Best practice requires the Council to set certain limits on borrowing and investments, and these are provided at Appendix A.

4.6 Given our high cash balances it is unlikely that the Council will need to borrow long term in the foreseeable future. One important consideration is that the interest rate foregone when cash balances are used in lieu of borrowing is less than the interest rate that would be paid on new borrowing. Whilst the core assumption of this strategy is that no long-term borrowing will take place in 2023/24, it allows for the possibility that it does.

4.7 For many years the PWLB has been the dominant lender to local authorities, which seems likely to continue. The Authority has raised the majority of its borrowing in the past from the PWLB, but will consider long term loans from other sources such as banks, pension funds and other local authorities if that reduces costs. PWLB loans are no longer available to local authorities planning to buy investment properties primarily for yield, although the Council intends to avoid that activity. It is considered unlikely that the Council will need to borrow long-term in the near future. However, the Strategy still grants sufficient delegated power to the Director of Finance to access new lenders if required.

4.8 The Council manages funds on behalf of the Combined Fire Authority and the LLEP. It is general policy to pay interest based on the average return that the Council gets from its treasury investments, though an estimate is used.

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 £350m dependent on circumstances (e.g. closeness to employees' pay day). Cash balances have generally held up well in the current financial year, though have started to fall back as expected recently. With the pressure on local government funding, and the use of reserves, we expect cash balances to decline somewhat in the next few years.

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 generally not usually able to actually repay any debt, and therefore have to invest the cash;

(b) We have working balances arising from our day to day business (e.g. council tax received before we have to pay wages, and capital grants received in advance of capital spending);

(c) We have reserves, which are held in cash until we need to spend them. We expect reserves to fall over the next few years (some are required to balance the 2023/24 budget, as reported elsewhere on your agenda).

5.3 The key to investment management is to ensure our money is safe, whilst securing the highest possible returns consistent with this.

5.4 In terms of **security**, the key issues are:-

(a) The credit worthiness of bodies we lend money to;

(b) The economic environment in which all financial institutions operate;

(c) What would happen if a financial institution did, in fact, run into trouble?

5.5 The world economic situation appears fragile and growth remains slow. Many commentators see a possibility that the position could deteriorate.

5.6 Inflation has increased significantly to over 10% at present with expectations that it may be about to peak. Whilst many commentators anticipate inflation to decline, in recent years it has proved more difficult to control than expected. There is therefore a dilemma for the Bank of England as to what extent interest rates should rise to control inflation, as against the fear that too high rates will deepen the recession.

5.7 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 <u>are</u> backed by the Government, or seek additional security for our money.

5.11 In respect of **<u>return</u>**, the Bank of England base rate rose to 3.5% in December, and our advisors expect it to rise further to 4.25% in the near future. However, the prospects for base rates in 2024 and beyond are much more uncertain, with a reasonable chance that they fall back somewhat if inflation falls and or the economy stalls. This is a marked change from a year ago when rates were below 1%.

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 <u>unsecured</u> 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 6 months. 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 <u>secured</u> (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); and

(e) We will lend to the Government and other public sector bodies.

5.14 In addition to the above, we will invest up to £30m in commercial property funds. These are pooled investments similar to “unit trusts”. This continues the current strategy. Such funds are expected to pay dividends at a rate of approximately 3.0% which broadly matches current interest rates. Current investments are valued at £8m. However, with such funds there is always a risk that values will decrease, though it is hoped that capital values will rise over the long term. Performance has been reasonably resilient.

5.15 We also allow investment of up to £20m in diversified asset investment funds. These funds invest in a mixture of shares, property and Government investments and are pooled with other investors’ funds. These investment funds are professionally managed and typically have produced an income of between 3% and 5%. Risk is higher than cash and we have not made any investments in this category to date. The Council has a smaller proportion of its treasury investments in non-cash deposits than most other authorities.

5.16 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.

5.17 A maximum of £20m would be invested in all such environmental and socially responsible investments that do not meet any investment criteria above.

6. **Commercial Investments**

6.1 As part of the Government’s response to concerns about some authorities’ property investments, separate commercial investment strategies are now required. Our proposed strategy is elsewhere on your agenda.

6.2 The Treasury Strategy does not deal with matters covered by this separate report, though there is a relationship between the strategies. Members are asked to note that the property funds discussed above (which are covered by the Treasury Strategy) are pooled funds in which risks and rewards of owning a large portfolio of properties is shared between many investors. The commercial strategy covers specific investments.

7. Credit Rating Requirements for Investments

7.1 Credit ratings are a key element of our Treasury Investment Strategy, being used to help us determine the financial strength of the borrower.

7.2 The credit rating of UK borrowers will rarely exceed that of the UK Government and consequently a reduction in the credit rating of the UK Government may result in credit rating downgrades for a large number of borrowers. Fitch did downgrade the outlook for the UK Government from stable to negative AA- in October 2022 as a fall out from the mini budget. The UK public finances position is currently under pressure though hopefully have stabilised somewhat recently.

7.3 However, if the UK Government is downgraded further there are two scenarios. One is that the financial operating environment of the UK becomes weaker and this weakens the strength of UK borrowers. The second is that the rating of the UK Government caps the rating of domestic borrowers, but that the strength of the borrowers are unchanged. Intermediate positions are possible. Our actions will be based on an assessment of the actual situation and we shall take advice from our treasury advisors. The Director of Finance may present a report to the City Mayor for his approval recommending any revisions to the Treasury Investment Strategy at Appendix B. All interest paying investments on such a revised lending list will have a minimum credit rating of BBB+ or (if unrated) be judged to be of equivalent standing. In this event, a revised Treasury Strategy will be presented to the Council at the earliest reasonable opportunity.

7.4 2022/23 has continued to see increasing financial pressures on local authorities, with evidence that some may struggle to meet their minimum statutory obligations. The most prominent have included the situations of Slough, Croydon and Thurrock. In addition, some local authorities have been involved in very large investments to achieve 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. They believe that the credit worthiness of most local authorities remains very 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. Any capital premium (i.e. additional cost) usually has to be charged to the revenue account over the life of the old loan, the life of any replacement loan or any shorter period.

8.2 The reasons why our debt has 25 to 54 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 would currently expect to pay a premium on any premature repayment of debt. This is because interest rates are lower now than when the loans were taken out, although rates are now higher and therefore premiums lower than in recent years.

8.4 We would evaluate any other options that became available.

9. Management of Interest Rate Exposure

9.1 Whilst the Treasury Management Strategy is based on a view of future movements in interest rates, all interest rate forecasts carry uncertainty. This strategy seeks to manage that risk.

9.2 For the foreseeable future the main risk arises from uncertainty around the interest earned on investments rather than interest paid on borrowing. Unlike recent years, interest earned on investments has started to rise to reflect increased interest rates.

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 probably only be viable for lenders if long term interest rates were higher than 5% (which is unlikely).

10. Treasury Management Advisors

10.1 The Council employs Arlingclose as treasury advisors. Their performance has been good.

11. **Leasing**

11.1 The Council owns some properties on lease, but other than this we do not generally use leasing as a method of financing, preferring instead to use our cash balances.

12. **Financial and Legal Implications**

12.1 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.

13. **Background Papers**

13.1 CIPFA – "Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes 2021 Edition".

CIPFA – "Treasury Management in the Public Services, guidance notes for local authorities including police forces and fire and rescue authorities 2021 edition".

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

Treasury Policy. Report to Council 19th February 2020.

14. **Author**

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Appendix A

Treasury Limits for 2023/2024

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 2023/24 and for the remainder of 2022/23 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 2023/24 and for the remainder of 2022/23 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. 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

8. The Council has also to set upper limits on the periods for which principal sums are invested. Recommended upper limits are:

	Up to 1 year £M	**Over 1 years £M**	**Over 2 Years £M**
Upper limit on maturity of principal invested	All investments	170	100

9. The central assumption of this treasury strategy is that the value of external borrowing will be as shown below (these figures include £12m debt managed on behalf of the fire authority).

	31/03/2021 Actual £M	2021/22 Estimated Average £M	2022/23 Estimated Average £M	2023/24 Estimated Average £M	2024/25 Estimated Average £M
External debt	192	192	192	192	192

10. Potential Effect of interest rate changes

Interest rates are subject to change and although the Bank of England rarely changes base rates other than after its monthly meetings, rates in the markets change daily. In recent years rates have been very low and remarkably stable, but this has changed in 2022. The approximate effect (which could be either a rise or reduction of income) of a rise or fall in interest rates of 1% more than anticipated would be.

	Effect of 1% change in interest rates	Effect of 1% change in interest rates as percentage of Net Revenue Budget
2023/24	£1.7m	0.5%
2024/25	£1.8m	0.5%
2025/26	£2.0m	0.5%

As our borrowings are mostly fixed, we do not anticipate any changes on our borrowing costs in the event of interest rate changes.

11. MIFID 11 Professional Client Status.

The Council has Professional Client Status under MIFID 11 (a European regulatory framework for investor protection) and expects to maintain that status including keeping a minimum of £10 million invested.

12. Use of Derivatives

A derivative is a financial instrument which in the context of the Council would usually be used to mitigate the risk of future interest rate changes.

In line with the CIPFA prudential code, the Council will seek external advice and consider that advice before entering into any derivatives to ensure that the implications are fully understood.

Our use of derivatives is expected to be limited to fixing the interest rate for:

a) borrowing that may be required at a future date, for example to finance a significant development; or
b) lending to another organisation such as a council at a defined future date (usually no more than four months ahead).

The Council will only use financial derivatives where they can clearly be demonstrated to reduce the overall level of financial risks to which we are exposed.

Embedded risks such as those present in pooled funds and forward starting positions will not be subject to this policy.

Appendix B

Treasury Investment Strategy 2023/24

1. Introduction

1.1 This Treasury Investment strategy complies with the DLUHC's Guidance on Local Government Investments and CIPFA's Code of Practice.

1.2 It states which investments the Council may use for the prudent management of its treasury balances. It also identifies other measures to ensure the prudent management of investments.

1.3 Appendix A (above) limits the periods for which principal sums can be invested. This is to be assessed on our intentions with regard to each investment rather than its legal form.

2. Investment Objectives & Authorised Investments

2.1 All investments will be in sterling.

2.2 The Council's investment priorities are:

(a) The **security** of capital; and

(b) **Liquidity** of its investments; and

(c) The **yield** (the return on investments)

2.3 The Council will aim to achieve the **optimum return** on its investments commensurate with proper levels of security and liquidity. Liquidity is assessed from the perspective of the overall investment portfolio and will take account of the Council's ability to borrow for cashflow purposes.

2.4 The following part of this appendix specifies how the Council may invest, with whom and the credit worthiness requirements to be applied.

3. Approved Investments

3.1 UK Banking Sector: Credit Rated Institutions			
Type	**Description**	**Investment Period**	**Controls**
General	Covers the largest UK banks and building societies. Covers non-UK banks operating in the UK and regulated in the UK.		No more that £100M will be invested in total with these institutions. Other than our bankers (Barclays) no more than £20m will be invested with one institution of which no more than £10m will be unsecured. £25m may be lent to Barclays, of which no more than £15m will be unsecured. New investments may be agreed up to 4 months advance. A list of approved counterparties will be maintained, based on credit ratings. Principally, we use Fitch. New bodies will not be added to the list without the written approval of the Director of Finance. Minimum ratings as below. Other market intelligence will also be considered.
Unsecured deposits	Banks and building societies regulated within the UK Covers non-UK banks operating in the UK and regulated in the UK.	Up to 366 days or such lesser period our advisors recommend	Our advisors have currently recommended a maximum of 6 months 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 bond rating of A+
Secured Deposits	These are deposits with a bank which are then secured on other assets which can be reclaimed if the bank fails.	Maximum 3 years	Any form of security (even if low grade) is better than none as secured deposits are much less likely to be subject to any bank bail in. The Council would look to use high grade security such as government gilts. We may use a third party to facilitate these transactions, but the underlying assets would be owned by the Council and not the third party.
REPOs/ Reverse REPOs	This is a deposit with a bank or other financial institution, which is secured on bonds and other readily saleable investments and which will be sold if the deposit it not repaid.	Maximum 1 year.	Judgement that the security is equivalent to, or better than, the credit worthiness of unsecured deposits. REPO/Reverse REPO is accepted as a form of collateralised lending. One acceptable basis is the GMRA 2000 (Global Master REPO Agreement) but other documentation may be accepted. Should the counterparty not meet our senior unsecured rating then a 102% collateralisation would be required. The acceptable collateral is as follows:- • Index linked Gilts (including delivery by value) • Conventional Gilts (including delivery by value) • UK Treasury bills • Corporate bonds (subject to additional due diligence)

3.2 UK Public Sector & Quasi Public Sector			
Type	**Description**	**Investment Period**	**Controls**
General	The UK Government. UK local authorities, including Transport for London (TFL), and bonds issued by the UK Municipal Bonds Agency. Bodies that are very closely linked to the UK Government or to local government such as Cross Rail.		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. No more than £40M to be lent to bodies very closely linked to the UK Government and no more than £20M to be lent to any one body. No limit on amounts lent to the UK Government. New investments may be agreed up to 4 months in advance (these may be classed as derivatives). In practice, we will be guided by our treasury advisors' views on appropriate investment periods.
Deposits	Deposits with Local Authorities and the UK Government.	Up to 6 years for the UK Govt. and up to 3 years for LA's.	Our judgement is that most local authorities are of high credit worthiness and that the law provides a robust framework to ensure that all treasury loans are repaid. However, should the occasion arise, we would have regard to adverse news or other intelligence regarding the financial standing of an individual local authority, including information which is provided by the Council's Treasury Advisors. Maximum periods for loans to local authorities will not exceed limits recommended by our treasury advisors.
Bonds – Local Authority	Bonds issued by local authorities.	Up to 3 years.	
Bonds – UK Municipal Bond Agency	Bonds issued by local authorities collectively through the UK Municipal Bonds Agency.	Up to 6 years.	Minimum A+ credit rating. The agency has had very limited success in lending though that may change in the future and until established the number of underlying borrowing local authorities will be low. When investing with the agency we will look at the underlying exposure to individual authorities when these are material and take into account existing exposures to those authorities.

Bonds – Bodies Closely Linked to UK Government		Up to 6 years.	Minimum A+ credit rating. A list of approved counterparties will be maintained. Approval by Director of Finance to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors.
Bonds and Deposits to UK Housing Associations		Up to 3 years.	No more than £20M in total may be lent to UK Housing Associations. All lending to require approval by the Director of Finance in consultation with the City Mayor on the basis of a written case, including advice from the Council's treasury advisors.
3.3 International Development Banks			
Type	**Description**	**Investment Period**	**Controls**
Bonds	International Development Banks which are backed by the governments of the world's largest and strongest economies. The funding obligations are established by treaties or other binding legal agreements. Examples are the European Investment Bank and the World Bank.	Up to 6 years.	No more than £40M to be lent in total and no more than £10M to be lent to any one bank. A list of approved counterparties will be maintained. Approval by the Director of Finance, in consultation with the City Mayor, to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors. A minimum credit rating of AA- plus backing of one or more G7 country.

3.4 Environmentally and Socially Responsible Investments			
Type	**Description**	**Investment Period**	**Controls**
	Investments which facilitate environmental and social objectives. Encompasses a range of legal structures including: • Company shares (equity) • Loans and other interest bearing investments • Trust structure including the above and including ownership of land, buildings, plant, equipment and contractual rights (for example, the right to sell electricity) • Pooled investments • Specialist Real Estate Investment Trusts (REITS) such as those investing in supported housing. • Other investment types Where an investment is better described elsewhere in this appendix (for example a regular money market fund that only contained ethical investments) that section of this appendix shall govern that investment.	Up to 10 years.	No more than £20M in all such investments. For investments which can be sold to others in a financial market or which can be redeemed by the fund manager - approval by the Director of Finance, in consultation with the City Mayor, to the investment being added to the lending list of approved counterparties based on a written case, including specialist advice. For other investments approval by the Director of Finance in consultation with the City Mayor to the individual investment, on the basis of a written case, including specialist advice. Investments will only be made when it is assessed that there is a reasonable prospect that after 10 years the Council would be able to have its initial investment returned plus the return that it would have gained on a cash investment. We will look for strong evidence of expertise from those who manage the pooled fund or who are otherwise involved in the management of the investment. Such investments need not be rated. Where the legal structure of the investment is not a widely used one appropriate due diligence will be undertaken.

3.5 Other Pooled Investments (General)			
Type	**Description**	**Investment Period**	**Controls**
General	A structure where a wide base of investors share a common pool of investments. The most common legal form involves an intermediate company. The company has legal title to a pool of investments. The underlying investors own the company with a claim to their share of the assets proportional to their investment in the company.		We will only invest in funds where there is evidence of a high level of competence in the management of the investments, and which are regulated. A list of approved counterparties will be maintained. Approval by Director of Finance to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors. The investment period will reflect advice from our Treasury Advisors on a fund by fund basis. We will be alert to "red flags" and especially investments that appear to promise excessive returns. We look for diversification away from the banks permitted elsewhere in this lending list (though some overlap is unavoidable). No more than £180M to be invested in aggregate in all type of pooled investments (short term, long term, property and diversified investment funds).
3.5.1 Pooled Investments – Shorter Dated Investments			
General	Investments of up to eighteen months.		There is no upper limit on shorter dated investments, other than the global limit for pooled investments above (£180m).
Money market funds	The underlying pool of investments consists of interest paying investments, for example deposits. The underlying borrowers include banks, other financial institutions and non-financial institutions of good credit worthiness. Banks may be UK or overseas.	Must have access to funds within one week.	Fitch rating of AAf (or equivalent). No more than £25M in any one fund except where our advisors recommend a lower figure. No more than £130M to be held in money market funds in total, this excludes money market plus funds.

Short Dated Government Bond Funds	Similar to money market funds but mainly concentrated in highly credit rated government bonds.	Must have access to funds within one week.	Whilst these are very safe the interest returned is very low. We may use these in times of market turmoil. Fitch rating of AAf (or equivalent). No more than £20M in any one fund.
Money market plus funds / cash plus funds / short dated bond funds	Similar to money market funds but the underlying investments have a longer repayment maturity. We would use these to secure higher returns.	Must have access with one month's notice but normally would wish to hold for 12-18 months.	Fitch rating of AAf (or equivalent). No more than £20M in any one fund. No more than £50M in total in money market plus/cash plus funds/short dated bond funds. We will "drip feed" money that we invest rather than investing it all at once.

3.5.2 Pooled Investments – Longer Dated Investments			
Type	**Description**	**Investment Period**	**Controls**
General	Longer dated investments expose us to the risk of a decline in value, but also provide an opportunity to achieve higher returns. Consequently, controls involve both the personal authorisation of the Director of Finance and consultation with the City Mayor.		No more than £50m to be invested in all fund types listed in this table section 3.5.2. This limit applies within the global limit for pooled investments (£180M). Investment amounts and timing to be approved by the Director of Finance, in consultation with the City Mayor. This applies to all the longer dated investments in this section.
Longer-dated Bond Funds.	Similar to money market funds but the underlying investments are now mainly bonds, typically, with an upper average maturity of up to 8 years.	Must have access with one month's notice but normally would wish	We may consider unrated funds on the recommendation of our Treasury Advisors. No more than £10M to be invested in any one fund.

		to hold for two to three years.	
Asset Based Securities	The base investments are "securitised investments" which pool consumer debt (mortgages, car loans and credit cards) and loans to small businesses. The base investments are loans to borrowers of good credit worthiness. The investment we would make would be in a pooled investment containing a number of such securitised investments. They are normally issued by banks (UK or overseas).	Must have access with one month's notice but normally would wish to hold for two to three years.	We look for particularly strong evidence of expertise both from the organisations that issue the securitised investments and also from the managers of the pooled fund. We look for clear evidence of financial and operational independence between the fund managers and the banks that made the consumer loans in the first place. No more than £10M to be invested in any one fund.
Property Funds	The underlying investments are mainly direct holdings in property, but our investment is in a pool of properties. Whilst the funds normally have a small cash balance from which to fund redemptions the bulk of the funds are held in direct property investments. On occasions redemptions will not be possible until a property has been sold. Funds may have the power to borrow.	Generally have access with three months' notice but normally would wish to hold for at least five years.	No more than £30M to be invested in property funds. This limit applies within the global limit for pooled investments (£180M).

Diversified Investment Funds	The underlying investments are a mixture of mainly equities, government gilts, corporate bonds and property which are also diversified geographically. Whilst the funds normally have a small cash balance from which to fund redemptions.	Generally have access with three months' notice but normally would wish to hold for at least five years.	No more than £20M to be invested in diversified investment funds. This limit applies within the global limit for pooled investments (£180M). .

4. **Business Models**

4.1 The Council has a "buy and hold" strategy for its investments that are bought and sold in financial markets. That is, it seeks to achieve value for money from its investments by collecting the sums contractually due. It does not aim to achieve additional value by selling them on although there may be occasions when investments may be sold for the purposes of managing or mitigating risk.

Appendix F

Council

Investment Strategy 2023/24

Overview Select Committee: 9th February 2023

Council: 22nd February 2023

Lead director: Amy Oliver

Director of Finance

Useful information:

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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, updated for more recent current investments.

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 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 the Leicester and Leicestershire Enterprise Partnership (LLEP) for their purposes, if the Council expects to make a return on the money.

2.3 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.

2.4 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 includes income generation, but also with an eye to providing a range of accommodation for businesses and ensuring a presence in city centre retail. The properties in the fund are not held primarily 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.

As of 31st March 2022, the portfolio included 1,267 lettable units which were 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 2022 to be £123m. Outstanding prudential borrowing was £8.4m. Net rental income for 2021/22 was £5.86m, which was a contribution to the General Fund.

It should be noted that guidance from DLUHC (Department for Levelling Up, Housing & Communities) and CIPFA (Chartered Institute of Public Finance and Accountancy) warns against investment activity which is disproportionately large in relation to an authority's finances. However, with net land and property investment income from the Corporate Estate accounting for less than 2% of the Council's net revenue budget in 2021/2022, it continues to represent a manageable risk in relation to the overall revenue budget.

(b) A loan to Leicestershire County 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. At the time of writing, £2.08m remains outstanding.

(c) A loan of £1.5m to Ethically Sourced Products Ltd (of which just under £1.2m remains outstanding). This loan carries a return equivalent to 4% per annum and is due to be repaid by 2025. Repayments of this loan are up to date.

(d) The Council has incurred expenditure of £5.4m to deliver 26,400 sq. ft of workspace at Pioneer Park (Dock 2). The scheme attracted £2.15m of external funding. Prudential borrowing is £1.7m. The medium-term impact on the Council's revenue budget is expected to result in a net surplus of over £100k p.a. after taking into account borrowing costs.

(e) The Council has approved a major regeneration scheme of £24.7 million based at and around Pioneer Park, including £19.4m of government grant and prudential borrowing of £3.5m to be repaid from future business rates growth within the Waterside Enterprise Zone. This incorporates schemes at Dock 3, Abbey Court and the Ian Marlow Centre site which will provide new facilities for small and medium businesses. This scheme is in the early stage of development but is expected to provide a net revenue surplus to the Council including borrowing costs.

(f) The Council has recently approved loans of £450k and £1.5m to Leicester Hockey Club C.I.C. and Leicester Community Sports Arena Ltd respectively to assist funding of improvements at their facilities. Both loans are at a rate of 5%.

4.2 The LLEP manages the "Growing Places Fund" which makes loans to businesses and other organisations for economic development. The total amount available is c.£10m. 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 redevelopment of the Gresham aparthotel at the former Fenwick department store, which has now been fully repaid. Interest of £0.6m was paid on top of the outstanding capital sum (equivalent to 7% per year).

5. The Council's Overall Approach

5.1 The Council facilitates investment which enables us to reduce reliance on returns from cash (the treasury management strategy) and at the same time put to use sums 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 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 primarily to generate a financial yield.

5.3 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.

5.4 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) We would not normally acquire property outside the city or the LLEP area, but may potentially invest elsewhere to better meet service objectives. We have made no such investments in recent years.

5.5 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) 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.

5.6 Items (b) and (c) together represent the Council's capital invested. Item (c) represents the risk of the Council requiring further capital or revenue resources if an investment fails; it may or may not represent any actual external debt. The amount of prudential borrowing outstanding may fall over the life of an investment. The totality of prudential borrowing, or other funding provided at the Council's risk, outstanding at any one time is a key control over the Council's investment activity and is termed "exposure".

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

	£m

On commercial or industrial property it already owns or will own.	100
For loans to third parties	20
To fund Enterprise Zone projects	40
For other investments	40

5.8 The Council will not have more than £130m 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.

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

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

5.11 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. 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 capital scheme will be £10 million. If the Council wanted to borrow more than £10 million on any particular scheme, it would be subject to a specific report to full Council.

6.5 Advances to third parties will normally require additional security where the total capital invested by the Council exceeds £2m, e.g. the underwriting of risk by a third party, or a charge on property with a readily ascertainable value and a number of potential purchasers.

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 Net Present Value (NPV) until the date of the next national reset (although rates growth will continue to be accounted for as rates income, and not earmarked);

(c) Resultant savings in departmental budgets cannot be included in the calculation.

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, construction and development of commercial or industrial property, including for the Corporate Estate;
(c) Construction or development of non-HRA housing;
(d) Acquisition of land for development;
(e) Infrastructure provision at key development sites;
(f) Investments to support the Leicester and Leicestershire Enterprise Partnership;
(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 compliant with Government's subsidy control rules. Investments must also not be made primarily for an income return (though a decent income return is to be encouraged) but investments must also have another purpose such as promoting economic development. The Council will also not try to rely on investment income which is disproportionate to the Council's budget.

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 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.

6.13 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.

6.14 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.

6.15 Investments to support the LLEP can take place to support economic development in the city or LLEP area. Such advances can be considered to support the LLEP's strategic plan, subject to confidence that money will be returned through business rate growth, other LLEP finance, or underwriting by the project owner.

6.16 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).

6.17 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 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;

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) 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 2021 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.

10.4 CIPFA – "Treasury Management in the Public Services, guidance notes for local authorities including police forces and fire and rescue authorities 2021 edition".

11 Author

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Strategic Priorities Update

Overview Select Committee

Date of meeting: 9 February 2023

Lead director/officer: Miranda Cannon

Useful information

- ■ Ward(s) affected: All
- ■ Report author: Miranda Cannon
- ■ Author contact details: Miranda.cannon@leicester.gov.uk
- ■ Report version number: 0.1

1. Summary

Overview Select Committee will receive a presentation at the meeting on 9th February from the Assistant City Mayor for Jobs, Skills, Policy Delivery and Communications setting out a summary of progress in relation to the key strategic priorities and commitments of the Council.

2. Recommended actions

Overview Select Committee (OSC) are invited to:

- comment on the achievements and progress made in relation to the key strategic priorities and to seek any further clarification needed on any areas.

3. Detailed report

The Council defined the following key strategic priorities for the period 2019 to 2023:

- A fair city
- Homes for all
- Connecting Leicester
- Sustainable Leicester
- Health and care
- Lifelong learning
- A city to enjoy
- Safe and inclusive city

Within these strategic priorities there were 95 commitments. OSC have previously received detailed updates on progress against these and a short summary presentation at the meeting will give an update on further progress and achievements. This will be the final update on this set of priorities.

New priorities will be determined and agreed following elections in May 2023 and future updates to OSC will set out those new priorities once approved and will report against them.

A number of the specific commitments focus on changing or enhancing the Council's approach such as how it ensures a focus on equalities, diversity and inclusion in decision making or the way in which it engages with communities, others are focused on delivering specific projects or interventions, which in many cases are then embedded as a business-as-usual approach. The presentation will demonstrate that there has been excellent overall progress against the priorities and specific commitments, with the majority

completed and/or embedded as business as usual and with a small proportion subject to ongoing delivery including some of these previously delayed / impacted by the Covid-19 pandemic.

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

6.1 Financial implications

The strategic priorities drive the key strategies and policy decisions, therefore has consequential implications for the Council's financial strategy. Amy Oliver, Director of Finance

6.2 Legal implications

There are no direct legal implications arising from this report. Numerous work-strands do require targeted legal advice in the course of being developed, and this is duly sought and provided. Kamal Adatia, City Barrister, ext 37 1401

6.3 Equalities implications

Under the Equality Act 2010, public authorities (including the local authority and schools), have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act, 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. Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The strategic priorities described in the presentation and report inform the Council's budget setting process and will inevitably lead to service impacts, and it is recommended that an Equalities Impact Assessment (EIA) is undertaken for each service proposal as it develops. The EIA process can support the Council to predict possible issues and take appropriate action such as removing or mitigating any negative impacts, where possible, and maximising any potential for positive impact. Kalvaran Sandhu, Equalities Manager, 454 6344

Overview Select Committee

Work Programme 2022 – 2023

Meeting Date	Topic	Actions Arising/Notes	Progress
Thursday 30 June	1) Survey of Leicester 2) Anti-poverty Strategy – Microsite demo 3) Finance reports – to include: (i) Revenue Budget Monitoring 2021-22 outturn (ii) Capital Budget Monitoring 2021 -22 Outturn (iii) Income Collection April 2021 – March 2022 (iv) Review of Treasury Management Activities 2021/22 4) Questions to City Mayor 5) Work Programme 2022/23 – draft planning	1) That each individual Scrutiny Commission be recommended to look at relevant elements of the survey in more detail	1) A separate meeting with scrutiny chairs to co-ordinate this is to take place.
Thursday 8 September	1) Corporate Estate Annual Report 2) Call-in – Purchase of 22 Market Place 3) Carbon Neutral Road Map 4) (i) Revenue Monitoring April – June 2022 (ii) Capital Monitoring April – June 2022 5) Scrutiny Annual Report 2022/23 Items 1 and 3-5 were not taken as this meeting was adjourned.	1) Deferred to 3 November 2) Call-in resolved to be withdrawn by OSC 3) Deferred to 15 December 4) Deferred to 27 September 5) Deferred to 27 September	

Appendix H

Meeting Date	Topic	Actions Arising/Notes	Progress
Tuesday 27 September	Special Meeting for consideration of Local Plan proposals: 1) Local Plan Proposals 2) (i) Revenue Monitoring April – June 2022 (ii) Capital Monitoring April – June 2022 3) Scrutiny Annual Report 2022/23 4) Final Housing Scrutiny Task Group Report –Housing Crisis	1) The key local plan strategies, policies, site allocation, and provisions for consultation be noted be made available to Members for review; and The associated Local Plan policies and strategies be brought to the next ordinary meeting of Overview Select Committee on 3rd November 2022. 2) a) The Director of Housing to be asked to provide information on the management of voids and that information regarding recruitment to vacant posts in Housing repairs should also be provided to Members. b) Information on the additional waste contract to be provided to Members. c) An energy costs report would be brought back to a future meeting of the Committee.	1) This took place during 5-19 October. 2) a) This was provided to members for the 3 November meeting. b) This was provided to members for the 3 November meeting. c) To initially be examined as part of the cost-of-living update items. A full report is to also be programmed.

Meeting Date	Topic	Actions Arising/Notes	Progress
Thursday 3 November	1) Market Redevelopment Update 2) Corporate Estate Annual Report 3) Cost of Living Crisis – Verbal Update 4) Refugee Resettlement Programme update 5) Local Plan – *consideration of policies and strategies*	1) A report on anti-social behaviour and street lifestyles in relation to the market area to be brought to a relevant commission 2) That the current performance of the Corporate Estate be noted and that a briefing session be set up for all Members on the Corporate Estate; and That Officers check whether or not rent fees for the Corporate Estate could be disclosed. 3) That the Cost-of-Living Crisis be added as a standing item to the Committee agenda; and That Officers inform Committee Members as to how many families in Leicester use foodbanks.	1) To be programmed for the Neighbourhood Services Scrutiny Commission 2) Members Briefing session to take place in February 2023. A note on rent fees to be provided to members 3) To be included as a standing item for OSC. Information on foodbank provision to be provide to members.

Meeting Date	Topic	Actions Arising/Notes	Progress
Thursday 15 December	1) Cost of Living Update 2) Survey of Leicester/Census 3) Haymarket Shopping Centre 4) (i) Revenue Monitoring April – September 2022 (ii) Capital Monitoring April – September 2023 (iii) Mid-Year Treasury Management Activities Report (iv) Income Collection April – September 2022 5) Final Scrutiny Task Group reports (i) The Experience of Black People Working in Health Services in Leicester and Leicestershire (ii) Cost of Adult Social Care Packages	1a) That the Committee requests that Members be informed of how Government support to improve energy efficiency in homes is being publicised by the Council. B) That the Committee requests that Members be informed of how new homes being built in the city will meet current and future energy efficiency requirements. C) That the Committee requests that Members be informed of information of employment rates in the areas of greatest deprivation in the city. 2) Information on the results of the children's survey to be provided to the co-producers and to Cllr Cassidy once it is available.	1 – information to be provided to members directly 2 – will be provided directly once available.
Thursday 9 February	1) Housing Revenue Account (including Capital Programme) 2023/24 2) General Revenue Fund 2023/24 3) Capital Programme 2023/24 4) Treasury Management Strategy 2023/24 5) Investment Strategy 2023/24 6) Key Strategic Priorities		

Meeting Date	Topic	Actions Arising/Notes	Progress
Monday 20th March	1) Cost of Living Update 2) Revenue Monitoring April – December 2022 3) Capital Monitoring April – December 2022 4) Carbon Neutral Road Map– update 5) Corporate Parenting Strategy		

Forward Plan Items (suggested)

Topic	Detail	Proposed Date
Corporate Consultation Process	An overview report on internal consultation processes is sought following comments raised at commissions.	TBC
Tackling Racism, Race Inequality and Disadvantage – update on plans and progress		TBC
Energy Costs	As requested as part of the Revenue Capital Monitoring item on 27 September 2022	TBC
Climate Emergency Action Plan		TBC
Further scrutiny re Census/Survey of Leicester/Children's Survey		TBC
Equalities Strategy Refresh		TBC
Violence Against Women and Girls Strategy		TBC – later in 2023
Universities – Civic Agreement		TBC