Leicester City Council

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

14 February 2023

Sir or Madam

I hereby summon you to a meeting of the LEICESTER CITY COUNCIL to be held at the Town Hall, on WEDNESDAY, 22 FEBRUARY 2023 at FIVE O'CLOCK in the afternoon, for the business hereunder mentioned.

Kamal Adatia

Monitoring Officer

AGENDA

AUDIO STREAM OF MEETING

A live audio stream of the meeting can be heard on the following link:
https://www.youtube.com/@leicestercitycouncildemocr5339

1. LORD MAYOR'S ANNOUNCEMENTS

2. DECLARATIONS OF INTEREST

3. STATEMENTS BY THE CITY MAYOR/EXECUTIVE

4. MATTERS RESERVED TO COUNCIL

a) HOUSING REVENUE ACCOUNT BUDGET (INCLUDING CAPITAL PROGRAMME) 2023/24

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

b) GENERAL FUND BUDGET 2023/24

Council is asked to approve the recommendations set out on page 71.

c) CAPITAL PROGRAMME 2023/24

Council is asked to approve the recommendations set out on page 135.

d) TREASURY MANAGEMENT STRATEGY 2023/24

Council is asked to approve the Treasury Management Strategy 2023/24 (page 173) subject to any comments made by the Overview Select Committee at its meeting held on 9 February 2023 and attached at Appendix 4-D1 on page 197.

e) INVESTMENT STRATEGY 2023/24

Council is asked to approve the Investment Strategy 2023/24 (page 199) subject to any comments made by the Overview Select Committee at its meeting held on 9 February 2023 and attached at Appendix 4-E1 on page 209.

5. ANY OTHER URGENT BUSINESS

Information for members of the public

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Further information

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

Matthew Reeves, Democratic and Civic Support Manager on 0116 4546352.
Alternatively, email matthew.reeves@leicester.gov.uk or call in at City Hall.

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

4.a Housing Revenue Account Budget (including Capital Programme) 2023/24

Council is asked to:-

a) Consider the comments and Recommendations of the Assistant City Mayor – Education and Housing's for the Housing Revenue Budget 2023/24 to be published prior to the Budget Meeting and will be attached to the Council Script; and

b) Consider the views of the Overview Select Committee meeting held on 9 February 2023 (Attached at Appendix I in the report).

The Council is recommended to:-

a) Approve the recommendations for the Housing Revenue Account Budget (including Capital Programme) for 2023/24 in paragraph 3 of the report at Appendix 4 (A -1), including the City Mayor/Assistant City Mayor Education and Housing's recommendations, which will be published ahead of the Budget Meeting and will be attached to the Council Script.

Attached in the report is a minute extract from the Housing Scrutiny Commission on 30 January 2023 (Appendix H in the report)

Leicester City Council

Housing Revenue Account Budget (including Capital Programme) 2023/24

Full Council: 22nd February 2023

Assistant Mayor for Housing: Cllr. Elly Cutkelvin

Lead director: Chris Burgin

Useful information

■ Ward(s) affected: All

■ Report authors: Chris Burgin, Director of Housing &
Stuart McAvoy, Head of Finance

1. Purpose

1.1 The purpose of this report is for Full Council to consider and approve the City Mayor's proposed Housing Revenue Account (HRA) budget for 2023/24.

2. Summary

2.1 Ordinarily, the maximum rent increase for 2023/24 would have been 11.1% (being CPI+1% as at September 2022). In his Autumn Statement on 17th November 2022, the Chancellor announced that social rent increases for existing tenants would be limited to 7%. Whilst this will provide some comfort to those tenants who do not receive benefits to cover all their rent, this inevitably places financial pressure on the HRA budget. This report proposes a core rent increase of 7%; if, for example, a rent increase of 5% was to be applied then this would lead to a £1.4m shortfall in the budget and further work would be required to bridge this gap.

2.2 Throughout the changing financial landscape since self-financing was introduced in 2012, the HRA has consistently delivered balanced budgets. This report recommends that the budget for 2023/24 is set as a balanced budget, with a core rent increase of 7%. This is against a background of inflation on pay and materials being well in excess of this, and the erosion of income from the continuing loss of stock through Right to Buy (RTB).

2.3 The proposals within this report are for the charges to tenants and leaseholders (homeowners) for services they receive to be representative of the underlying cost of the service being provided. The cost of District Heating has increased significantly due to the rising price of gas; this report proposes to pass on the cost of gas increases from April 2023, alongside a programme to install individual meters on properties giving tenants and homeowners greater control over their heat consumption. Once meters are in place, charges will reflect the actual heat consumption for each property. Whilst this will result in significant increases to service charges, the lowest income households will receive up to £1,350 in 2023/24 in government support to assist with the cost of living.

2.4 Whereas any subsidy provided to our tenants falls on the HRA, any subsidy provided to homeowners is a cost which must be met by the General Fund. Decisions taken as part of this report on charges for District Heating will therefore have a consequential impact on the General Fund revenue budget, which is included elsewhere on your agenda.

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

2.6 Consultation on the proposals within this report has been carried out with the Tenants' and Leaseholders' Forum, the Housing Scrutiny Commission, and the Overview Select Committee.

3. Recommendations

3.1 Full Council is recommended to:

i) Note the comments from the Tenants' and Leaseholders' Forum at Appendix G, the Housing Scrutiny Commission at Appendix H, and the Overview Select Committee at Appendix I;

ii) Approve the Housing Revenue and Capital budgets for 2023/24;

iii) Approve rent changes for tenants for 2023/24 as follows:
- 7% increase to core rent;
- Hostel rent and service charges as set out at section 4.5.3;
- 5% increase for Gipsy and Traveller plot rent;
- 10.1% increase to garage rent.

iv) Approve service charge changes for tenants and leaseholders for 2023/24 as follows:
- Increasing the charge for District Heating from April 2023 as set out in section 4.6.7 in line with gas prices, and charge based on actual heat consumption once meters are installed;
- increasing the charge for waylighting by 100%;
- applying increases to all other service charges of 10.1%.

v) Agree to delegate to the City Mayor the authority to reduce District Heating service charges by the extent to which this represents a change to the cost of providing those services.

vi) Note the equality impact assessment of the proposed revenue and capital reductions required to present a balanced budget, at Appendix J;

vii) Note that the scheme of virement at Appendix K applies to the HRA budget with total expenditure and total income acting as budget ceilings for this purpose;

viii) 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;

ix) 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;

x) 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.

xi) 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;

xii) Note that the capital strategy in the Capital Budget report applies also to the HRA.

4. Report

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

4.2 The HRA operates in a self-financing environment. Spending priorities are made in the context of needing to achieve the right balance between investing in, maintaining and improving the housing stock, providing landlord services to tenants, building new homes and supporting and repaying housing debt of £252m. The HRA budget is set by modelling expected levels of income and expenditure.

4.3 This report identifies the pressures facing the HRA in 2023/24 (most of which are unavoidable) followed by measures which would be required to set a balanced budget. These include proposals for increases to rent and service charges, savings from efficiency measures, and realignment of the capital programme.

4.4 **Revenue Cost Pressures**

4.4.1 In recent years the primary external pressure on the HRA has been a loss of income from Right to Buy sales. Whilst this pressure persists, inflation on staffing costs and materials is much more significant for 2023/24. Table 1, below, summarises the known pressures and budget growth requirements within the HRA:

Table 1: Revenue Cost Pressures	**2023/24 £000**
Pay Inflation	2,950
Running Cost Inflation	2,287
District Heating Inflation	9,184
Energy Inflation	1,453
Interest & Debt	1,686
Right to Buy Sales	1,361
Other Pressures	498
Total Cost Pressures	**19,419**

4.4.2 <u>Pay Inflation</u>
The 2022/23 HRA budget assumed that employee costs would rise by 2.5% in the year; the pay settlement actually resulted in an average increase of 6.5%. Including the knock-on effects on employers' National Insurance and pension contributions, this adds costs of over £1.4m per year. An assumed pay award for 2023/24 of 5% has been built into this budget resulting in a further increase in pay costs of £1.7m. Savings of £0.2m are expected to arise from the reversal of the Health and Social Care Levy, which had increased the National Insurance rate from 13.8% to 15.05%.

4.4.3 <u>Running Cost Inflation</u>
Inflation affects almost all areas of HRA running costs, and is largely unavoidable. Contracts are reviewed as required to ensure that best value is being obtained, but the HRA is subject to wider market forces over which it has little influence. Most significantly for 2023/24:;

- materials and contractor inflation are forecast to be £1.1m higher;
- services which are provided to the HRA by other parts of the council are subject to inflation pressures, and these costs are then passed on to the HRA, adding £1.2m in 2023/24.

4.4.4 District Heating

The additional revenue cost of running the District Heating network in 2023/24 is estimated to be £9.2m higher than the previous year. £5.6m of this is to pay for the cost of gas that is used to heat water in the central boilers and reflects the significant increase in gas prices. In addition, the Council pays towards other non-gas costs incurred by LDEC (Leicester District Energy Company), and these are forecast to cost an extra £2.9m. These additional costs are index-linked to the price of gas, and it is likely that payments in this order would be well in excess of the actual costs being incurred by LDEC; the Council will seek to negotiate down these payments, with any recovery against the £2.9m being used to support the capital maintenance programme. Separately, the fixed cost element of the District Heating network is expected to be £0.7m higher than current budgets

4.4.5 Energy Costs

As for the nation more widely, the cost of purchasing gas and electricity by the Council has increased significantly. The Council purchases energy in advance, and as a result the impact of price rises affecting 2023/24 is reasonably well known. It is predicted that the cost of gas will rise by 300% and electricity by 100%, resulting in a cost pressure of £1.4m. This is the additional cost of energy associated with running neighbourhood housing offices, as well as lighting in the communal areas of flats and associated way-lighting. A proportion of these costs are recoverable through service charges outlined at section 4.6.

4.4.6 Interest & Debt

It should be noted that over the life of the assets, HRA finances are improved through the building and acquisition of properties for affordable rent. The recent expansion of this has led to increases in rental income of £3m in the last 2 years. The proposed income budget for 2023/24 anticipates a further £0.6m from more recent additions to the dwelling stock. Borrowing is used to part-finance these properties; although the Council is not obliged to do so, as a prudent measure, money is set aside each year for the repayment of this debt. The growth in the number of affordable properties means that more debt is now being repaid each year, and this will increase by £0.5m in 2023/24. The HRA incurs interest charges on the outstanding borrowing at the prevailing short-term interest rate for the Council. For each 1% increase in the interest rate the HRA incurs additional borrowing costs of £0.6m. Based on forecast average interest rates this is expected to increase interest charges by £1.2m.

4.4.7 Right to Buy

Sales of properties through Right to Buy can give discounts to tenants of up to 70% of the property value, with the maximum discount in Leicester currently at £87,200 (compared with £24,000 10 years ago). Sales reduced during the height of Covid restrictions and were followed by a resurgence in interest from tenants. If interest rates continue to rise and the cost-of-living crisis persists then it is expected that the number of sales will reduce. For the purposes of this budget it is assumed that there will be 300 sales in 2023/24, a reduction from the 350 predicted for 2022/23, with a consequential loss of rental income of £1.3m. Whilst a reduction in dwelling stock should lead to reductions in associated expenditure on managing and repairing those properties, the economies of scale that come from managing a large portfolio are gradually being eroded.

4.4.8 Other Pressures

There are an increasing number of claims for property disrepair; whilst almost all of these claims have little or no basis, additional legal costs are being incurred to manage this, adding £250k to costs in 2023/24.

The HRA does not hold a budget to cover the cost of providing temporary accommodation to tenants who experience domestic abuse or harassment. This is now consistently costing £150k per year and provision is being made within this budget to finance this.

There are always periods of time during which properties are not occupied, predominantly the void period between the end of one tenancy and the start of the next. After a 28-day period the Council is liable for void Council Tax. The proportion of our Council properties which are void is in line with comparable authorities. However, purchasing properties which require significant refurbishment work (including Hospital Close, for example) has meant that additional void costs of £100k are expected in 2023/24.

4.5 **Rent**

4.5.1 The primary source of income into the HRA is from the rent charged to tenants. Through the Rent Standard, central government set the rules governing the maximum rent which may be charged and the maximum increase from one year to the next. Whilst the stated aim has been to provide medium-term assurance on a consistent methodology, in practice this has fluctuated. After announcing that rents would be permitted to increase by CPI+1% for the 10 years from 2015/16, this was amended one year later to 4 years of 1% mandatory rent reduction. Similarly, having stated that rent in the 5 years from 2020/21 could rise by up to CPI+1%, the Chancellor announced on 17th November 2022 that social rent increases would be capped at 7%. This is a consequence of high rates of inflation which, under existing rules could otherwise have led to rent increases of up to 11.1%.

4.5.2 Given the scale of the pressures outlined at section 4.4 of this report, the proposal is to seek approval to apply a rent increase of 7%. To apply a rent increase of anything less than this would necessitate either a scaling back of the capital programme beyond that set out in this report, a draw on limited reserves, or revenue service cuts. A rent increase below 7% would lead to a loss of income of £0.7m for each 1% in 2023/24, and £8.2m over a 10-year period. Importantly, there would be no opportunity to recover this reduction to the base level income by applying a higher a rental increase in future years (other than when properties are re-let).

4.5.3 Hostel Rent

Hostel rents and service charges are periodically re-set to ensure that they are aligned with the actual cost of running the service. This re-calculation has recently been undertaken, reflecting the proposed staffing structure for 2023/24. All individuals staying at the Dawn centre are eligible for Housing Benefit, and the Revenue & Benefits service have confirmed that these charges are at a reasonable level for charging to Housing Benefits. The work has resulted in the following proposed weekly rents for 2023/24:

Dawn Centre	Current Weekly Charges 2022/23	Proposed Weekly Charge 2023/24
Catered Beds – Core Rent	£81.16	£92.09
Catered Beds – Eligible Service Charge	£312.73	£350.90

Catered Beds – Ineligible Service Charge	£43.53	£45.71
Emergency Beds – Core Rent	£62.61	£70.81

4.5.4 Gipsy & Traveller Plot Rent
Whilst the Gipsy and Traveller sites sit outside the Housing Revenue Account, it is still necessary to set the annual rent for these plots and this is typically incorporated within this report. It is proposed that a 5% rental increase be applied for 2023/24

4.5.5 Garage Rent
Whilst garage rents are set separately to dwelling rents it is proposed to increase these by 10.1%, in line with CPI as at September 2022. Feedback from the Tenants and Leaseholder forum in previous years has been that these rents should increase more rapidly than dwelling rent.

4.6 **Service Charges**

4.6.1 Service charges should be set with the intention of recovering the full cost of providing the service. To avoid a gap from developing, it is proposed that a 10.1% increase is applied in 2023/24 in line with inflation (CPI), other than for waylighting and district heating.

4.6.2 A limited number of service charges relate entirely to energy costs. Waylighting charges are levied to cover the cost of electricity incurred. The Council purchases electricity in advance such that the cost is already known for the period from October 2022 to September 2023; this has risen by approximately 100%. Combined with forecasts for the second half of the year, the cost of electricity is expected to be 100% higher in 2023/24 than in 2022/23. This is the basis of the proposed charge for waylighting.

4.6.3 District Heating Approximately 1,900 tenants and 1,000 homeowners are supplied heating and hot water through the District Heating scheme, with charges for this service being based on the underlying variable cost incurred to generate the heat (primarily gas).. Tenants and homeowners on the network have benefitted throughout 2022/23 from charges being far below the underlying cost of gas, with the HRA bearing the cost. It is not financially sustainable for the HRA (and for Council tenants not on the heating network) to continue to subsidise these costs for the 10% of tenants who receive the service.

4.6.4 LDEC (Leicester District Energy Company) purchases gas for any given financial year in advance of the start of April, but at the point of writing this report the actual cost can only be estimated. The most recent estimate that has been supplied by LDEC is that the price of gas will rise by 214% for 2023/24, and it is proposed that this be reflected in the charge for recipients of the service. Whilst the HRA has heavily subsidised the cost of gas for those on District Heating during 2022/23, the charge from April is set to recover this in full. However, the HRA will continue to bear the non-gas variable costs associated with the gas price increases, as outlined at section 4.4.4.

4.6.5 The price of gas has moved significantly over the last 18 months and although around 80% of gas for 2023/24 has already been purchased, there remains some uncertainty as to the price for the full year. Whilst the proposed charges are based on best estimates, this report proposes that delegation be given to the City Mayor to amend these charges down to reflect the actual cost of service provision, should prices fall. This will ensure that households are only paying the amount they should and that charges can reduce as and when costs stabilise.

4.6.6 The proposed capital programme includes provision for the roll-out of a metering programme for dwellings on District Heating. Once meters are installed, charges would move away from the current model in which they are fixed at a weekly rates, and instead move to charging based on the actual consumption of heat. This would lead to savings for households, within indications that meters would reduce consumption by 30% on average.

4.6.7 The table below shows the current subsidised charges, the proposed charges from April 2023 and indications of average charges once meters are installed:

	Current Annual Charge 2022/23	Proposed Charge from April 2023	Estimated Average Charge Once Meters are Installed
1 bed	£636	£2,757	£2,280
2 bed	£799	£3,394	£2,727
3 bed	£951	£3,987	£3,141
4 bed	£1,109	£4,601	£3,571
Other	£437	£1,981	£1,737
Average	£733	£3,135	£2,545

4.6.8 At the time of writing this report the Government had only recently announced the way in which businesses were to receive support towards energy costs from April 2023. The detail of this, and the extent to which this may support in bringing down energy costs for District Heating recipients is currently being assessed. Any savings through government schemes will be passed on to tenants and homeowners. Separately, the Government has announced that for 2023/24 people on means-tested benefits will receive £900 to help meet the additional costs of living, with a further £300 for pensioners and £150 for disabled people.

4.6.9 If the increased cost of gas being used under the district heating network was not passed on to those who receive the service then the cost would fall to all other HRA tenants to bear; there would be less money available for investment across the HRA estate. In any case, the reserves position outlined at section 4.9 shows that there are insufficient resources within the HRA to sustain such an option.

4.6.10 Whilst there are very clear benefits to a district heating network in which there are fixed prices regardless of usage levels, one of the downsides is that there are limited incentives for people to reduce their heat and hot water consumption. Individual metering will need to form part of the solution to help bring down usage.

4.7 **Revenue Savings**

4.7.1 The proposals within this report meet the identified budget pressure of £19.4m in 2023/24. The proposed changes to rent and service charges at section 4.5 and 4.6 would result in additional income of £5.6m. The proposed changed to District Heating charges would result in a further £5.6m. Table 2, below, summarises the additional income and proposed savings to deliver a balanced budget:

Table 2: Additional Income & Reductions in Expenditure	2023/24 £000
Dwelling Rent & Service Charges	(5,612)
District Heating Service Charges	(5,639)
Rent From Supply of New Housing	(613)
Capital Funded from Revenue	(6,385)
Staffing	(1,055)
Running Costs	(115)
Total Savings	**(19,419)**

4.7.2 Rental Income on New Build and Acquired Properties

The HRA has embarked on an extensive programme of acquiring properties on the open market to increase the number of homes available at an affordable rent. In addition, a programme of building new properties on Council-owned land is underway. Additional rental income will accrue of just over £0.6m in 2023/24 as a consequence of this.

4.7.3 Capital Expenditure Funded from Revenue

The default source of funding for the maintenance aspects of the HRA capital programme (i.e. excluding affordable housing) is from revenue resources, which in 2022/23 amounted to £17.5m. In 2023/24 the figure reduces to just over £11m, releasing resources and therefore representing a revenue saving. The detail of changes to specific schemes is within section [4.8], below.

4.7.4 Staffing

A reduction in staffing across the Repairs & Maintenance and Gas teams will be achieved as a result of there being fewer properties held within the HRA, alongside enhancing the remote offer to tenants and the introduction of a schedule of rates, saving £585k. A scaling back of the Leicester to Work scheme which provides paid work experience to people out of work would deliver savings of £200k. A reduction in the size of the Neighbourhood housing service of £140k reflects a reduction in the number of tenancies being supported. A saving of £100k could be achieved through the more efficient management of teams undertaking adaptation work.

4.7.5 Running Costs (incl. Buildings)

Savings of £90k have been identified from the reduction of vehicles and the removal of residual budgets associated with buildings that are no longer held for Housing purposes.

4.7.6 In summary, the proposals outlined in this report for 2023/24 will meet the amount required to balance the revenue budget without drawing upon reserves. Appendix A shows a high-level breakdown of the proposed HRA revenue budgets for the year.

4.8 Capital Expenditure

4.8.1 The 2022/23 capital programme (excluding budgets slipped from previous years) is £117.5m, with £100m of this relating to the Affordable Housing programme of building and buying properties.

4.8.2 Appendix E outlines the way in which capital works are identified as being required in council dwellings. Appendix F provides wider details of the priorities which direct HRA expenditure, including achievements throughout 2022/23.

4.8.3 Appendix B shows the proposed capital programme for 2023/24. The following changes to the capital programme are proposed:

4.8.4 Affordable Housing – Acquisitions & New Build

£200m has been added to the capital programme since November 2019 to support the programme of new build and property acquisitions. This helps to sustain the medium and long-term position of the HRA by replacing properties lost under Right to Buy. £100m of this was added as part of the budget report presented to Council in February 2022. This report seeks to add a further £15m based on the forecast RTB receipts for the year. Further additions to the programme are expected to take place as government grant funding for acquisitions is released throughout the year. In particular, this is expected to focus on accommodation for single homeless people and for refugees. This will support to alleviate pressure on temporary accommodation costs within the General Fund.

4.8.5 Estate Improvement

In 2022/23 the £750k environmental and communal works budget was shared across the city in all neighbourhood housing areas. Examples of the work taking place this year includes:

- The fitting of doors to blocks on St Andrewes Close
- Verge hardening on Tatlow Road to reduce the impact of parking
- Bin area replacement on Butterwick Drive
- Flood prevention work around Donaldson Drive
- Painting of knee railing in Netherhall
- Improvements to external lighting to bungalows in Saffron, Braunstone, Eyres Monsell and Aylestone
- A community food growing pilot in the south area of the city
- Creating a bike storage facility in Gilmorton
- Estate improvement work to tackle anti-social behaviour in Neston Gardens

An additional £1.9m has been invested in year 3 of the Public Realm Improvement Programme, primarily in the St Matthews and St Peters areas of the city. This increases the amount of money we have spent making improvements to our estates during 2021 / 22 to £2.650m.

This report seeks to add a further £200k to continue this important work.

4.8.6 Public Realm Works

This scheme now falls out of the capital programme following the addition of £5m to the capital programme over the last 3 years for improvements to the St Matthews and St Peters estates.

4.8.7 Boilers

We expect to have replaced 740 boilers in 2022/23 and a further 575 in 2023/24 with the investment of £2.3m proposed in this budget.

4.8.8 Kitchens & Bathrooms

We expect to have installed 463 kitchens / bathrooms in 2022/23. During 2023/24 with the investment of £2m in this budget we are expecting to install a further 300.

4.8.9 Windows & Doors

An amount of £1m was added to the 2022/23 budget as a provision towards work that will be required in the future. This budget sets aside a nominal £50k for this purpose.

4.8.10 Loft Insulation

Historically, loft insulation has had a separate budget allocation within the capital programme. Going forward, this will be incorporated within the wider decarbonisation work within the HRA.

4.8.11 Waylighting

The waylighting programme, which has focused on LED replacement and updating lighting in communal areas, where required, was completed during 2022/23. £150k can be removed from the capital programme as a result.

4.8.12 District Heating – Metering

This report proposes the rapid introduction of metering across all dwellings connected to the network for which it is technically feasible at a cost of £2.3m. To support tenants in managing the cost impact, the intention is to recover this cost through charges over a 5 year period.

4.8.13 District Heating – Aikman Avenue

The contract with LDEC (Leicester District Energy Company) has to date excluded the Aikman Avenue district heating scheme. Agreement has been reached with LDEC to connect this to the network, including a contribution of £455k from the HRA, £195k from the General Fund and £500k from LDEC. This will contribute towards a reduction in carbon emissions and savings to households and organisations connected to the network.

4.8.14 Re-Roofing, Soffits & Facias

The re-procurement of roofing, soffits/facias and cladding have been combined during 2022/23 in an attempt to deliver efficiencies; the procurement has resulted in slippage which is available to support these works in 2023/24, such that further budget does need to be added through this report.

4.8.15 Fire Risk Works

A national delay in the manufacturers of fire doors gaining accredited approval for their use resulted in slipped budgets being used to support work being undertaken in 2022/23. This budget is now being re-introduced to the capital programme for 2023/24 to the value of £500k.

4.8.16 Concrete Path Renewal

The long-standing programme of works to renew concrete paths will be complete in 2022/23, such that £100k can be released from the capital programme.

4.8.17 Property Conversions

£750k has been added to the capital programme over the past 3 years to help address overcrowding in properties. A sufficient amount of this budget will still remain by the end of 2022/23 to support planned work for 2023/24, meaning that no further sums will need to be added.

4.8.18 Dawn Centre Reconfiguration

The 2022/23 HRA budget included a one-off sum to support the reconfiguration and improvement of the Dawn Centre. This work is progressing and no further sums are anticipated to be required for 2023/24.

4.8.19 St Matthews Estate Concrete Work

It is proposed that £200k is added to the £1.1m provision which was included in the 2022/23 capital programme towards concrete work across the St Matthews Estate, including balconies and walkways.

4.8.20 The financing of the proposed capital programme is shown in the table below. This results in a reduction in funding from revenue of £6,385k in 2023/24, reflecting the figure at paragraph 4.7.1.

Table 3: Financing of HRA Capital Programme	2022/23 £000	2023/24 £000
Funded From Revenue	17,460	11,075
Funded From Reserves	0	0
Funded From Right to Buy Receipts (incl. Allowable Debt)	50,000	7,500
Funded from Borrowing	50,000	7,500
	117,460	**26,075**

4.9 HRA Reserves

4.9.1 Drawing down on reserves in an attempt to avoid the need to make savings is only viable as a short-term approach to meeting any budget shortfall. Reserves are better utilised in meeting one-off costs, to support the delivery of long-term efficiencies and providing cover for major repairs. In keeping with this approach, no reserves are proposed to be used to balance the budget for 2023/24.

4.9.2 Projections of the HRA reserve position at the end of 2022/23 indicate that there will be only limited unallocated reserves, in the region of £400k. This is a very small sum, particularly given the short and medium-term financial risks facing the HRA, including the potential for future rent restrictions and further interest rate rises.

Forecast Opening Reserves Balance as at 1st April 2023	£26.5m
Amount held to cover minimum working balances	£5.0m
Amount held to finance prior years' capital approvals (including policy provisions)	£11.2m
Earmarked for future anticipated calls on reserves	£9.9m
Forecast Unallocated Reserves Balance as at 31st March 2024	**£0.4m**

5. Financial, legal and other implications

5.1 Financial implications

5.1.1 This report is exclusively concerned with financial issues.

Amy Oliver , Director of Finance (37 5667)

5.2 Legal implications

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

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

Jeremy Rainbow, Principal Lawyer

5.3 Equalities implications

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

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

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

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

Kalvaran Sandhu, Equalities Manager, (37 6344)

5.4 Climate Change and Carbon Reduction implications

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

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

5.4.3 Appendix F provides further detail of actions being undertaken as part of ‘Priority three – Sustainable Leicester’, including the construction of new a-rated council homes, a bid for Social Housing Decarbonisation funding, installation of energy efficiency measures in properties and climate change training for housing staff. The report also notes that connection of Aikman Avenue to the LDEC district heating scheme will deliver carbon emission savings.

Aidan Davis, Sustainability Officer, (37 2284)

6. Background information and other papers:

None

7. Summary of appendices:

Appendix A: Proposed HRA Revenue Budget 2023/24

Appendix B: Proposed HRA Capital Programme 2023/24

Appendix C: Other Service Charges and Payments 2023/24

Appendix D: Leicester Average Rents Comparison

Appendix E: Planning Capital Works in Council Dwellings

Appendix F: How Priorities Are Assessed for HRA Expenditure

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

Appendix H: Minutes of the Housing Scrutiny Commission

Appendix I: Minutes of the Overview Select Committee

Appendix J: Equality Impact Assessment (EIA)

Appendix K: Scheme of Virement

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

No

9. Is this a “key decision”?

No

Appendix A

Proposed HRA Revenue Budget 2023/24

	2022/23 Current Budget £000	- 2023/24 - 2023/24 Budget Pressures £000	2023/24 Savings & Reductions £000	Proposed 2023/24 Budget £000
Income				
Dwelling & Non-Dwelling Rent	(77,513)	1,361	(5,072)	(81,224)
Service Charges	(6,026)	0	(6,793)	(12,819)
Total Income	**(83,539)**	**1,361**	**(11,865)**	**(94,043)**
Expenditure				
Management & Landlord Services	20,808	12,201	(589)	32,420
Repairs & Maintenance	25,100	3,802	(580)	28,322
Interest on Borrowing	9,318	1,686	0	11,004
Charges for Support Services	5,067	244	0	5,311
Contribution to GF Services	5,786	125	0	5,911
	66,079	**18,058**	**(1,169)**	**82,968**
Capital Funded From Revenue	**17,460**	**0**	**(6,385)**	**11,075**
(Surplus) / Deficit Before Reserves	**0**	**19,419**	**(19,419)**	**0**
Funding From Reserves				0
Contributions To Reserves				0
(Surplus) / Deficit	**0**			**0**

Appendix B

HRA Capital Programme 2023/24

The table below shows the 2022/23 capital programme approved in February 2022 (excluding budgets slipped from previous years' programmes), and the proposed programme for 2023/24. All of the schemes listed for 2023/24 are immediate starts.

	22/23 Capital Programme £000	23/24 Capital Programme Additions £000
Kitchens & Bathrooms	3,000	2,000
Boilers	2,800	2,300
Re-wiring	1,760	1,610
Re-roofing	900	0
Soffits & Facia	350	0
Windows and Doors	1,000	50
District Heating Maintenance	650	500
District Heating - Metering	0	2,310
District Heating - Aikman Avenue	0	455
Communal Improvements & Environmental Works	750	200
Public Realm Works	1,900	0
Disabled Adaptations	900	800
Fire Risk Works	0	500
Safety Works including Targeted Alarms	300	100
Loft Insulation	100	0
Waylighting	150	0
Sheltered Housing Improvements (ASC)	100	50
Concrete Paths Renewal	100	0
Property Conversions	250	0
Affordable Housing - Acquisitions & New Build	100,000	15,000
Dawn Centre Reconfiguration	450	0
Funding opportunities	900	0
St Matthews Concrete Estate Work	1,100	200
Total Capital Programme	**117,460**	**26,075**

Appendix C

Other Service Charges and Payments

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

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

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

Appendix D

Average Rents Comparison

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

Property Type	HRA 2022/23	Formula Rent 2022/23	Housing Assoc. 2021/22	Private Sector (LHA rate) 2022/23	Private Sector (City Wide) 2021/22
Room only	-	-	-	£78.00	£81.23
Bedsit (studio)	£60.81	£64.99	£77.67	-	£115.15
1 bed	£67.67	£69.94	£86.32	£103.56	£130.15
2 bed	£79.89	£81.54	£90.07	£130.03	£161.54
3 bed	£89.22	£91.61	£95.46	£155.34	£188.08
4 bed	£102.10	£103.86	£114.11		
5 bed	£108.51	£111.04	£116.91	£205.97	£277.15
6 bed	£121.26	£115.53	£132.22		

Appendix E

Planning Capital Works in Council Dwellings

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

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

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

The proposed capital budget for 2023/24 is not purely based on life cycle and condition survey data; major elements are pre-inspected before they are added to the programme and the repairs history for the property is checked. For example, all roofs are pre-inspected before the order is sent to the contractor. Likewise, all electrical installations are tested at 30 years and a decision is made whether to carry out a full rewire or part upgrade of the circuits. Properties are not added to the kitchen programme if they have had major repair work carried out in the previous 5 years.

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

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

Appendix F

How Priorities are Assessed for HRA Expenditure

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

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

This appendix sets out how we are meeting these priorities and plans for investment in our 19,577 (October 2022) council homes and their neighbourhoods.

Priority one – Providing Decent Homes

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

The Government's Decent Homes target was met in 2011 / 12. However, to meet the standard on an on-going basis further investment for major works is required.

Major works are planned for all council housing following an assessment of condition, age, tenant priorities and other criteria set as part of the Decent Homes Standard. We have a bespoke software package that enables us to analyse stock condition and plan major work accordingly, when it is required.

The Government's current definition of a Decent Home was set in 2006. A Decent Home must meet the following four criteria:

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

As well as achieving the Decent Homes Standard, we also address tenants' priorities. The majority of tenants see improvements made within their home as a priority and the priority elements for improvements are kitchens and bathrooms. Our current commitment is to refurbish all kitchens and bathrooms by 2036.

The table below shows the key Capital Programme work being carried out during 2022/23 and our proposals for 2023/24.

Programmed element	Achievements and proposals
Kitchens and bathroom	We expect to have installed 463 kitchens / bathrooms in 2022 / 23. During 2023 / 2024 we are expecting to install a further 300. As at the 1st April 2022, 79% of all council properties have had either a Leicester Standard kitchen or bathroom.
Rewiring	We expect to have rewired 580 homes in 2022 / 23 and a further 580 during 2023 / 24.
Central heating boilers	Investment is calculated to replace boilers every 15 years based on condition data from the annual gas service. We expect to have replaced 740 boilers in 2022 / 23 and a further 575 in 2023 / 24.
Roofing and chimneys	We expect to have installed 30 new roofs in 2022 / 23 and a further 88 in 2023 / 24.
Central heating systems	We have 108 properties without any form of central heating. In these cases, tenants have refused to have central heating installed. Provision is made in the programme to install central heating on tenant request or when these properties become vacant.
Windows and doors	Excluding properties in Conservation Areas where there are often restrictions on the use of UPVC, we have 44 properties that do not have UPVC double glazed windows. In these cases, tenants have refused our previous offers of installing double glazing. Provision is made in the programme to install windows / doors on tenant request or when these properties become vacant. Future investment will be targeted at installing secondary glazing to properties in Conservation Areas.
Structural works	Investment is required to address any structural works identified each year. As well as dealing with structural problems such as subsidence, issues such as woodwork treatment and failed damp proof courses are also dealt with when identified.
Soffits, fascia's, guttering	By replacing these items with UPVC, it will help to reduce long term maintenance costs. During 2022 / 23, we anticipate installing UPVC soffits, fascia's, gutters to 211 properties and a further 190 properties in 2023 / 24.
Condensation and damp works	Investment is required to target those properties that have been identified as being more susceptible to condensation related problems because of their construction type or location. In 2022 / 23, we expect to complete work on 544 properties and a further 540 in

	2023 / 24. Advice to tenants is also important as their actions can alleviate condensation problems
Safety and fire risk work	Investment is required to implement the planned programme of fire safety measures, as agreed with the Fire Service

The new Building Safety Act came into force in April 2022. The Act is a significant piece of legislation and overhauls the way residential buildings are constructed and maintained. The Act is principally concerned with improving the safety in higher risk buildings (those at least 18 metres in height or those that have at least 7 storeys.) We are currently working towards meeting our obligations in relation to this.

The Government's Housing White Paper "The Charter for Social Housing Tenants" was published in November 2020. This document states the Government intends to review the Decent Homes Standard, for which we are waiting further information. It is anticipated that changes to the Decent Homes Standard will result from this review, particularly new standards in relation to communal areas around homes and meeting zero carbon targets.

It is crucial we continue to repair and maintain homes. During 2021 / 2022 86,466 repairs were completed, compared to 88,072 in 2020 / 21.

Work is taking place to reduce the length of time homes are vacant to ensure that new tenants are rehoused into suitable accommodation as quickly as possible, and loss of income is minimised. During 2021 / 22 the average time to all vacant properties was 138.1 days. A service analysis has recently been completed for the voids services and the recommendations resulting from this are being implemented to reduce our average void times.

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

Key to the delivery of all our services in our neighbourhoods is our income collection. Despite significant challenges the Income Management Team have worked hard to support tenants in paying their rent, ensuring arrears reduced from £1,766m at the end of March 2021 to £1.577, at the end of March 2022. This is the lowest level of rent arrears for the last 4 years. The high rate of income collection enables us to continue delivering high quality services.

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

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

In 2022 / 23 the £750k environmental and communal works budget was shared across the city in all neighbourhood housing areas. Examples of the work taking place this year includes:

- The fitting of doors to blocks on St Andrewes Close
- Verge hardening on Tatlow Road to reduce the impact of parking
- Bin area replacement on Butterwick Drive
- Flood prevention work around Donaldson Drive
- Painting of knee railing in Netherhall
- Improvements to external lighting to bungalows in Saffron, Braunstone, Eyres Monsell and Aylestone
- A community food growing pilot in the south area of the city
- Creating a bike storage facility in Gilmorton
- Estate improvement work to tackle anti-social behaviour in Neston Gardens

An additional £1.9m has been invested in year 3 of the Public Realm Improvement Programme, primarily in the St Matthews and St Peters areas of the city. This increases the amount of money we have spent making improvements to our estates during 2021 / 22 to £2.650m.

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

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

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

We respond vigorously to reports of anti-social behaviour and have CCTV on many parts of our estates. We also offer security packages to tenants who are victims of anti-social behaviour, such as secure letter boxes and alarms, to help them feel safe in their homes whilst reports are investigated. In 2021 / 22 we received 1,199 reports of anti-social behaviour that were investigated and, where necessary, action was taken against perpetrators. This was 45 less reports than the previous year.

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

Housing office services are now re-opening in shared buildings within local communities. The Customer Services Centre runs a telephone advice line during working hours where tenants can report repairs and tenancy issues. Out of hours emergency calls are taken by an external provider. Last year the Customer Service Centre received 160,349 calls during the working day on the tenant's advice line.

107,708 of these calls were about repairs. A further 15,960 calls were made out of hours.

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

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

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

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

- Repairs can be reported outside of our normal office working hours, 24 hours a day, 7 days a week
- Tenants don't have to wait in a queue for their telephone call to be answered to report a repair
- Repair requests can be made on a wide range of devises, including mobile phones, tablets, and PCs
- For people who don't have devises they can use the computers widely available in libraries and community centres
- The online service provides pictures of a wide range of repairs that may be required in a property, so it is easy to identify and report what is needed
- When reporting a repair online tenants have a choice when their repair takes place
- Tenants can make an enquiry online about a reported repair if they want to check progress on this
- We can send messages via the online system to provide an update on a repair, for example if we are waiting for materials to arrive
- The online system provides a list of all repairs reported in one place. This means tenants can go in to see what has been completed and what is still outstanding

In October 2022 6,827 tenants had registered to access services via Housing Online.

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

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

During 2023 we will be rolling out the Housing Online service to enable the reporting of communal repairs and for leaseholders to report their repairs online.

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

The Government's Social Housing White Paper places a greater emphasis on all social housing landlords to listen and act upon the views of tenants. In response to this we are developing an Involvement Strategy, to build upon and improve the arrangements we currently have in place.

To address the needs of leaseholders we have a Leaseholders Liaison Team who are responsible for responding to Council leaseholder queries and improving services to meet their needs. Regular Leaseholder Forums take place to allow leaseholders to discuss particular issues effecting this tenure type and to put forward suggestions for improvement.

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

The council and its partners have committed to cut carbon emissions by 50%, relative to 1990 levels by 2025. Part of this target was to reduce all residential CO_2 emissions from 651,000 tonnes in 2006 to 530,000 tonnes by 2012, a reduction of 121,000 tonnes. Through the Housing Capital Programme initiatives CO_2 emissions from council houses reduced by 58,523 tonnes between 2005 and March 2017. This means that we have already exceeded the specific target set in relation to the reduction of Council home emissions.

We have been working towards improving the environmental impact of our homes for many years and during this time we have significantly reduced the CO_2 emissions from our homes. This has been achieved by window replacements, new central heating installations, new energy efficient boilers internal wall, external wall and roof insulation, and solar panels. The homes being built as part of our current housebuilding programme have been designed to maximise energy efficiency.

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

- Leading on a bid to the Social Housing Decarbonisation fund in partnership with seven Housing Associations operating in the city to seek £6.9m funding to improve the energy efficiency of properties in Leicester. If successful this will lead to a programme of further insultation, installing air source heat pumps and triple glazing
- In addition to this bid we are already investing £1.8m to install external wall insulations in properties across the city

- We have undertaken climate change training for our staff this year to help them deliver our climate change commitments.
- Our house building programme so far, has delivered new homes that have improved energy efficiency. This year the homes we are starting to build will be our most highly energy efficient council homes. These properties will have EPC energy ratings of A, which will be much better for the climate and more efficient for those living in them.
- We have a programme in our communal areas to replace our light fittings with LED lighting, which is more energy efficient
- We are encouraging tenants and leaseholders to play their part in helping fight the impacts of climate change. This includes the use of smart meters in their home so energy use can be measured.
- Our existing Council housing investment programmes continue to deliver loft insulation, A rated Boilers, LED lighting in communal areas, upgrading storage heaters to positively impact the efficiency of Council homes.

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

The Housing Division has continued to work towards delivering new housing for Leicester City and is on track to have delivered over 1,100 new Council and Affordable homes for the City over the last 4 years spending in excess of £200m to achieve this.

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

Issues affecting our ability to provide new affordable housing include:

- The lack of available sites for residential development
- A decrease in securing planning gain affordable housing. Historically, a proportion of our new supply of affordable housing has been delivered via planning gain (Section 106 contributions). For a period now, the proportion and number of applicable planning consents which include planning gain affordable housing has reduced
- The delays to the new Local Plan process in identifying future development sites
- Changes to Right to Buy Receipts (RTBR) spending rules, in terms of capping the proportion of acquisitions funded, will limit the number of RTBR funded acquisitions that can be purchased
- Significant increases in actual and projected costs and inflation associated with housing development as a result of the Covid 19 pandemic, Brexit and the Energy Crisis. This has resulted in a shortage of construction labour and skills, significant shortage of materials, increased costs, and financial uncertainties.

Right to Buy sales reduce the number of council homes available at an affordable rent. In 2021 / 22 311 homes were sold under the Right to Buy scheme, this was an increase of 107 sales when compared to the previous year.

At the 1st April 2022 there were 6,053 households on the Housing Register. This is a reduction of 303 households from the previous date last year. This decrease is not a result of lower demand, but a cleansing exercise undertaken where inactive housing applications were cancelled. Demand for Housing is very high in Leicester, but it is also a city with a relatively low average household income. For many, renting from the council or a housing association is the only hope of a decent and settled home.

In order to meet Housing need there is now an active programme of housing development through the Housing Revenue Account. During 2023 / 24 56 new units will be delivered.

Vacant Council properties are advertised through Leicester HomeChoice. In 2021 / 22, 184 Council tenants transferred within the stock to homes better suited to their need and 746 households became new Council tenants. In the first 6 months of 2022 / 23, 84 tenants had transferred properties and 328 new tenancies were created.

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

We have a scheme in place to undertake extension work at properties where households are experiencing overcrowding, rather than them having to move through the Housing Register to resolve the issue.

Each year the Capital Programme funds the adaptations of tenants existing homes where Adult Social Care and Children's Services identify the current tenant or family members needs those adaptations. During 2021 / 22, 108 minor adaptations took place in tenants' homes, such as ramps and door widening. There were also 109 major adaptations, such as level access showers, stair lifts and through floor lifts. This work will continue in 2022 / 23 in response to assessments by Adult Social Care and Children's Services.

As well as providing homes for people it is also important that we provide support to people to maintain their tenancy. The Supporting Tenants and Residents (STAR) service provides one-to-one support for council tenants who might otherwise lose their homes. Priority is given to support those who have been previously homeless and those who have other problems which means they are not coping or complying with tenancy conditions. The service also works closely with Children's Services to help looked after children, foster families, children leaving care and other vulnerable families.

As part of the Council's response to the invasion of Ukraine a team, within STAR, has been set up to provide support to Ukrainian Refugees to help them settle into their new homes and help with pathways to employment.

Housing Officers undertake a programme of Welfare Visits to tenants who may be vulnerable. This contact is an opportunity for us to check whether the tenant is coping in their home and, where appropriate, we signpost or refer people to support services.

This is a preventative measure to help sustain tenancies, ensure people are safe, well and enables us to act before a crisis point is reached.

In 2021 / 22 95.6% of Council tenancies were sustained. This means that 95.6% of people who became new tenants in 2020 / 21 remained in their tenancy 12 months later. During 2021 / 22 the STAR service provided longer term support to 515 households and provided short term support to 666 households.

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

The Housing Division made a significant contribution to the local economy. The total value of Housing contracts funded through the Housing Revenue Account was £120m in 2021 / 22. All contracts have local labour and social value clauses.

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

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

Housing's Neighbourhood Improvement Scheme continues to help the long-term unemployed by giving pre-employment training and a period of 6- or 12-months' work experience.

Work experience is also offered to school students, graduates, and ex-offenders. During 2021/22 we have also taken up the opportunity to recruit to posts under the Governments Kickstart programme.

The Housing Division has worked with two partner organisations, St Mungo's and BEAM who work with Housing to deliver improved work outcomes and job opportunities for those facing homelessness and for tenants.

Appendix G

Feedback from Consultation with Tenants' and Leaseholders' Forum

Tenants' and Leaseholders' Forum meeting 26th January 2023

Housing Revenue Account 2023/24 – Budget consultation

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

Chris Burgin, Director of Housing, presented the Housing Revenue Account 2023/24 budget proposals. This included information on the wider pressures being felt on the General Fund budget. For the Housing Revenue Account, information was given on the additional financial pressures of £19.4m for 2023/24. It was explained that money needed to be found, from income to the Housing Revenue Account, to pay for these additional costs to ensure a balanced budget, which is a legal requirement.
In relation to the pressures to the Housing Revenue Account Forum members made the following comments:
Joe Carroll asked whether the Council could do anything to stop Right to Buy sales, to reduce the pressure on the budget through lost rental income. It was explained that tenants have a legal right to buy their home and whilst this legislation is in place the Council is unable to stop people from exercising their right to do this.
Jean Williams stated she understood the financial pressures being felt, but that tenants couldn't afford to pay any more.

<u>District heating proposals</u>
The main focus of discussion at the meeting was in relation to the proposed increased charges for tenants and leaseholders on the District Heating scheme. The Director of Housing explained that householders on the scheme had not had their gas costs increased, unlike other households, over the last 12 months. This effectively meant that the Housing Revenue Account was being used to pay for the additional gas costs for households on the District Heating scheme. If this continued into 2023/24 it would mean the Housing Revenue Account would be paying an additional £9m for these costs. If this happened, it would mean the Capital Programme would be drastically reduced to what was being proposed or other service cuts would be needed to ensure a balanced budget.
It was explained that a lot of work had taken place to reduce the proposed District Heating charge increases to a minimum, and in fact the proposal is half what was initially considered as being needed. This included not passing on additional maintenance charges for the scheme onto households. It was also explained that a programme to fit individual meters into properties would take place during 2023, so households will have greater control of their energy use and cost of this.
Joe Carroll raised concerns that in New Parks households on the District Heating scheme were unable to have individual meters fitted due to the way the system had been set up. The Director of Housing explained that there were complexities around meter fitting in the New Parks properties and further options needed to be considered. However, whilst this work was taken place households in that area would be charged an average cost of all District Heating users.

Jean Williams raised concerns that meters could not be fitted in the east area of St Matthews. The Director of Housing stated the feasibility study carried out in relation to meter fitting had not picked this up.
Jean asked to see pictures of the meters that will be fitted and information about the location of where these will be fitted in properties.
Joe Carroll stated he is receiving feedback from tenants that they cannot afford to pay any additional charges for District Heating. He raised concerns that tenants will be evicted if they are unable to pay the additional costs. The Director of Housing explained that evicting tenants for non payment is always the very last resort and the Council has a range of support in place to help tenants maximise their income and develop repayment plans if they do go into arrears.
Jean Williams suggested that Councillors should engage with local MPs and other MPs across the country, where District Heating schemes are in place in their constituencies, to tell the Government of the particular issues those on District Heating schemes face.
At the end of the discussion around the District Heating the Forum members were asked for their views on the proposed charges:
Peter Hookway stated he understood the concerns being raised about the increased costs for people, but he supported the proposals. Peter stated that if the proposals didn't go through then all tenants would suffer. It wouldn't be fair that services would be reduced for everyone, just so a minority of tenants could benefit from not having energy cost increases, like everyone else was experiencing.
Jean Williams stated that people will be looking at all the cost increases they are facing at the current time, not just those for District Heating, and asking where they are going to get the money to pay for everything. Jean stated that working people on low incomes, who do not receive benefits, will be impacted upon the most. Jean stated she understood the pressures being faced by the Housing Revenue Account, but she felt the 247% increase in charges was too much for people to pay. However, she could support a proposal to increase the charges by 200%.
Joe Carroll stated that, despite understanding the impact to the Housing Revenue Account and future services. He said costs are going up everywhere, there is more demand at food banks and people could not afford to pay. Joe also confirmed he understood that there had to be an increase and supported a 200% increase.

<u>Council tenant rent increase proposal</u>
Chris Burgin explained that in recent years the Government has allowed local authorities to increase rents by CPI + 1%. However, due to the high inflationary rates being experienced, this year the Government has capped the maximum increase in rents to 7%. It is therefore proposed that the rent increase for Leicester City Council tenants is 7% for 2023 / 24. This additional income is required to support the balancing of the budget.
In relation to this proposal the Forum members stated:
Peter Hookway said his views were split, he understood the need for the 7% rent increase, but that it would put additional financial pressure on tenants. However, on balance, Peter stated he supported the proposals.
Jean Williams stated the increase was high but knew the situation being placed upon the Council and supported the proposed increase.
Joe Carroll said he supported the 7% rent increase proposal.

At this point Joe Carroll left the meeting, but prior to leaving he stated that he supported all the other proposals within the Housing Revenue Account budget report.

Other rent increase proposals

In terms of the other rent increase proposals both Jean Williams and Peter Hookway stated they thought the proposed increase for Gypsy and Traveller site rents were on the low side, especially when considering the additional increases being proposed for council tenants.

Both Jean and Peter supported the increase in hostel rents.

Initially, Jean thought the proposed percentage increase for garage rents was too high. However, when it was shown that the increase would amount to an additional £1 per week Jean stated she supported the proposal. Peter also supported this proposal.

Service charge proposals

Peter Hookway stated he supported most of the proposals for services charges, but was concerned about the increase in the communal cleaning charge due to the quality of service some tenants and leaseholders are receiving.

Jean Williams agreed with the point Peter raised about the communal cleaning charges. Jean thought the proposed increase for waylighting was too high but supported the increased as the service was required for health and safety.

Capital programme proposals

Chris Burgin explained that due to the additional financial pressures on the Housing Revenue Account a reduced capital programme was being proposed for 2023/24. Both Jean Williams and Peter Hookway supported the proposals within the Capital Programme. Jean sought clarification on the proposed spend for boiler replacements because she thought these costs were high. When it was explained that this money was required to replace boilers that were reaching the end of their effective working life, Jean supported this spend requirement.

Leicester
City Council

Appendix H

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

Minutes of the Meeting of the
HOUSING SCRUTINY COMMISSION

Held: MONDAY, 30 JANUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Westley (Chair)
Councillor Chamund (Vice Chair)

Councillor Aqbany
Councillor Fonseca
Councillor Gee
Councillor Modhwadia
Councillor Pantling

* * *   * *   * * *

1. APOLOGIES FOR ABSENCE

No apologies for absence had been received.

2. DECLARATIONS OF INTEREST

The Chair declared that his family were council tenants
Councillor Aqbany noted that he lived in a council property

3. DRAFT HOUSING REVENUE ACCOUNT BUDGET (INCLUDING CAPITAL PROGRAMME) 2023/24

The Chair introduced the item on the draft Housing Revenue Account (HRA) budget including the Capital Programme 2023/24 and noted that the report being considered this evening related to the proposals for next year's HRA.

The Chair noted that information on district heating, was included within the report along with other information and took the opportunity to thank officers for the work which had gone in to preparing the report.

The Chair further noted that, as an authority the council had invested heavily in maintaining and improving the existing homes, managing them as well and in building new homes for the people in greatest need in Leicester. Much of that spending comes from money the council get from rents, which were the lowest in the city, and lower than neighbouring authorities. At a time when inflation is over 10% the government has ordered us to keep our rent increases to seven per cent.

The Assistant City Mayor for Education and Housing noted that due to the years of austerity local authorities had been impacted and that although increasing rent rates was uncomfortable, the council took pride in being the best landlord in the city with very low evictions in the last year including the delivery of vital works for tenants.

The director for Housing delivered a presentation to the Commission outlining the HRA and the Capital Programme. It was noted:

- There were £19.4million worth of pressures as a result of the rise in energy cost and inflation
- The proposal for raising the rates in district heating to address the energy crisis impacting the HRA budget by £9.2million
- Information on the varying charges was shared, dependant on the number of bedrooms, with an average charge of £50.90.
- The cost of metering properties would equate to £3m equating to £1250 per property and this charge was proposed to be passed on over a 5 year period at £5 a week
- Non gas costs would not be passed on equating to an additional budget pressure of £3.4m for the HRA and GF
- If the increased cost of gas being used under the district heating network was not passed on to those who receive the service, then the cost would fall to all other HRA tenants to bear and there would be less money available for investment into the services, properties and estates.
- An increase in rent prices by 7% equating to £5.55 was also prosed which had been supported by the Tenants Association
- The rise in rents would affect 30% of Council tenants as the rest of the Council tenants were recipients of Housing Benefits (50% full and 20% partial) which would cover the increases
- Rent collections were at a 99% collection rate and the evictions were at its lowest with only 5 during this year
- The impact of a lower rate of increase in rent would have a dramatic effect on the HRA
- Service charges were proposed to increase at 10.1%, the rate of inflation with Waylighting proposed to increase by 100%

Capital Programme

- £15million for Council housing in 23/24 coming from 50%in loans and 50% from Right to Buy receipts
- Overall slowing down the delivery of the capital programme with a much reduced programme of £11m down from £17m in 22/23 with reductions in the bathrooms and kitchens, boiler s and rewire programme. Other capital programme reductions were shared at the meeting.

The Director of Housing noted that the next steps would be to take the report to OSC for consideration and then to Budget Council in February for approval.

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

- There were real concerns from residents living in council properties as there were going to be increases in all aspects of their tenancy and Members were concerned with how this would affect the level of debt following the increases
- Members suggested that the Right to Buy Scheme should be suspended as this had decreased the housing stock which was impacting the HRA and playing a part in the housing crisis
- Representatives from the Tenants Association were concerned that the properties in the New Parks Estate would be affected the most as the properties could not be fitted with meters
- Following the consultation meeting with the Tenants Association the representatives were in support of a lower increase of 200% to the district heating
- Members of the commission suggested that an increase of 200% would be more reasonable but were also aware of what impact this would have to the HRA
- A reduction in staffing would be from existing vacancies and that there were no intentions for service reduction
- The Neighbourhood Improvement Team would be 1 cohort of 10 over the 12-month period rather than 2 cohorts over the year
- That the wording in the report in regard to the issues with damp and mould be reconsidered.

The Assistant City Mayor for Housing and Education suggested that the Damp and Mould Strategy would be developed in the future to address increasing concerns in regard to the matter and work would need to address how we enable council tenants. The Chair of the Commission suggested that the commission sets up a working party to look at the issues relating to dampness and mould in houses within the city.

Members of the Commission further went on to note that, the mismanagement of central government has impacted all areas of society and that the rise in inflation was directly attributed to this and has resulted in the crisis. It was further suggested that increasing the district heating which would impact 30% of people on district heating would be a more sustainable solution rather than impacting the entire HRA which would affect 100% of tenants.

In response to Members queries in regards to alternative sources of funding by not going ahead with other projects across the city, The Director for Housing noted that it was a legal requirement that only HRA accounts are utilised and non cross subsidy between the HRA and the General Fund is allowed

In further discussions, Representatives from the Tenants Association noted that the increase in service charges should increase the quality of service and raised concerns with the current delivery of services where communal areas were left unclean and appointments with tenants were being missed. The Director of Housing noted that Cleaning Services was under the Director for Neighbourhoods and Environmental Services portfolio and that discussions on the best service for money were underway.

Members of the Commission took the opportunity to note that the current stock of council properties were getting older and needed regular maintenance work and this should be considered.

The Director for Housing summarised to the Commission and drew Members attention that district housing has been 35% cheaper in comparison to gas on the open market and that the new proposals would still be cheaper than that of the open market.

The Chair at his discretion allowed for Councillor Kitterick and Councillor Dawood to address the Commission. Councillor Kitterick made a statement to the Commission and raised concerns that the district heating tenants were unable to control how much heating they get and that the proposed increased rates were only for the price of hot water and gas and did not consider the cost of electric.

Councillor Kitterick further went on to propose that in line with the new price caps to come in place in April the average cost should be £3000x53.7% (Gas Element of Price Cap) = £1611 up until the meters are installed over the six-month period in individual properties, following which individuals would pay according to the meter and price suggested by officers. Councillor Kitterick requested the Director for Housing to produce a financial model on how much this could cost the council if all properties that could be metered were metered by the end of October 2023. It was also suggested that this would have an impact on the HRA until the meters were fitted and would encourage the installation of the meters and that the difference in cost could be supported by delaying other projects for a year.

Councillor Dawood echoed the proposals made by Councillor Kitterick and raised concerns for residents who would have to make a choice between heating or eating.
The Chair adjourned the meeting for a minute break at 6:50pm

Following the reconvening of the meeting the Vice Chair raised concerns with the level of dept that the proposals would have and what mechanisms were in place to protect the tenants that may struggle financially. The Director of Housing noted that the Income Management Team was in place to track and intervene on any payment issues and supported tenants through any financial hardships in signposting them to the STAR Team. It was further noted that 99.6% of rent was collected and that the Officers were very effective in collecting the rent and supporting the tenants.

The Director for Housing noted that the current system had 18000 tenants were subsidising 2400 tenants and that the proposals were fair so that the actual cost of gas was being paid by those on District heating.

In further discussions it was noted that:

- The Right to Buy Scheme was introduced by central government and that legislation was in place that did not let local authorities to control

- Tenants were entitled to do as they wish following having acquired the property through the scheme
- 2% of the current stock was void and work was being delivered to bring the properties back in use.

Other recommendations in the HRA budget were considered by the Commission and voted upon and all matters in relation to core rent, hostel rent, garage rents, service charges got fully supported by the Housing Scrutiny commission.

AGREED:

1) That recommendations other than District heating all be supported
2) That the Director for Housing be requested to consider the average charge for tenants on the district heating system be £1,611, taking Ofgem charging limits into account
3) That the Director for Housing be requested to provide projections for impact of the costs to the HRA based on the £1611 charge set out above. and
4) That the Commission sets up a working party to look at the issues relating to dampness and mould in houses within the city.

4. ANY OTHER URGENT BUSINESS

Leicester City Council

Appendix I

EXTRACT

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 9 FEBRUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Cassidy (Chair)
Councillor Gee (Vice Chair)

Councillor Batool
Councillor Pantling
Councillor Porter
Councillor Thalukdar
Councillor Westley

Also present:

Sir Peter Soulsby	City Mayor
Councillor Cutkelvin	Assistant City Mayor
Councillor Myers	Assistant City Mayor
Alretaj Al-Showali	Youth Representative
Dena Al-Showali	Youth Representative
Henry Zawadzki	Youth Representative

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78. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Halford, Joel, and Joshi.

79. DECLARATIONS OF INTEREST

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

Councillors Thalukdar and Westley make a declaration in relation to the report on the Housing Revenue Account Budget for 2023/24 that they had relatives who were Council tenants.

80. VARIATION OF ITEMS OF BUSINESS

The Chair indicated he had agreed to take an item of Any Other Urgent Business under Rule 14 of Part 4E of the Constitution to consider the Draft Housing Revenue Account Budget 2023/24 as a matter of urgency as the report needed to be considered before the agenda for the Council meeting on 22 February was published. In accordance with Rule 11of Part 4E of the Constitution the Chair indicated that he would be taking the item after item 8 on the agenda.

86. ANY OTHER URGENT BUSINESS

The Director of Housing submitted a late report on the Draft Housing Revenue Account Budget for 2023/24.

The Committee was asked to consider the Draft Budget and the comments and suggestions from the Housing Scrutiny Commission and the Tenants and Leaseholders Forum and pass its comments to the meeting of Council for consideration.

The Strategic Director of City Development and Neighbourhoods presented the item, it was noted that

- The context to the budget was a 1% rent reduction from 2016-2020, inflationary costs, and lost income from right to buy sales. The budget was legally required to be balanced.
- The proposed rent changes were a 7% increase to core rent which was the cap, a 5% increase to Gipsy and Traveller Plot Rent, and a 10.1% increase to garage rent.
- Proposed service charges increases were increasing the charges for District Heating which would be covered in more detail shortly, a 100% increase in the charge for way lighting, and increases to all other service charges of 10.1%.

Councillor Westley as Chair of the Housing Scrutiny Commission thanked Tenants Groups for their input into the Budget process. He noted that the Tenants and Leaseholders Forum supported a 200% increase in District Heating charges and that a metering programme would soon begin for properties receiving District Heating. He expressed frustrations at the Government’s failure to support the Council in providing more social housing. It was noted that the Housing Scrutiny Commission supported that Draft Housing Revenue Account Budget for 2023/24 though sought further detail on an alternative proposal in relation to District Heating.

The Strategic Director of City Development and Neighbourhoods then gave a detailed presentation on proposed changes to District Heating charges as well as covering the Capital Programme, it was noted that:

- The energy crisis had resulted in a 300% increase in gas prices in 2022/23.
- The proposal was a 247% increase in District Heating charges, with charges standing at £3135 on average per property before metering and £2545 on average per property after metering. The management costs of District Heating would still be sustained with the HRA and it was highlighted that this alone would be cost £4.4m.
- In order to reduce usage and therefore reduce costs, it was proposed that meters would be installed into all properties using District Heating. The proposed metering programme would run from April-October 2023.
- If District Heating charges were not increased then a £4.5m cost to the General Fund and a £10.2m cost to the HRA would have to be sustained.
- The Energy Price Guarantee would continue for 12 months, other Government support included a £900 payment for households on benefits, £300 to pensioner households, and £150 for those on disability benefits.
- The Council provided Housing Benefit alongside support from various teams such as STAR.
- Reductions had been made in the Capital Programme to sustain the HRA.
- The proposals the Tenants and Leaseholders Forum and Councillor Kitterick had been modelled to look at the impact on the HRA and General Fund.

The Chair noted that Councillor Kitterick was present at the meeting. The Chair allowed Councillor Kitterick to speak on the issue of the proposed changes to District Heating charges. Councillor Kitterick noted that his proposal was to increase charges only to the point where the average cost for users was £1611, this was the proposal as it would be in-line with the price cap paid by customers on the open market for the same service due to the Energy Price Guarantee. This was proposed as a stop-gap measure while meters were installed, once meters were installed then the power to determine costs would be passed to the users. The proposed increases were felt to be unfair as users had no power over the charges as they were not currently based on usage and were a flat fee. It was noted that District Heating users were some of the poorest residents of the city on average. Councillor Kitterick also noted that if any issues caused the metering process to be delayed then this would further increase the burden on users as they would pay the increased flat costs for even longer.

Officers noted that if Councillor Kitterick's proposal was implemented it would result in a £859k impact on the HRA and a £386k impact on the General Fund.

The City Mayor spoke, noting that all were in favour of bringing in metering. The difference of opinion was in how charges should be handled in the meantime. The City Mayor reminded the Committee that the HRA was ringfenced and could not be subsidised from the General Fund, therefore any extra burden on the HRA would be funded by tenants' rents.

In response to questions from Members it was noted that:

- In relation to comparators Councils, it was noted that Sheffield had brought in a 200% increase in their District Heating Charges.
- The gas on District Heating was bought wholesale from the market at a rate of 9.5p per kwh.
- Metering would take around 4.5 hours per property with the bulk of work being in the enabling works beforehand.
- The additional cost to the HRA from Councillor Kitterick's proposal would require the removal of the environmental works programme from the HRA programme.

A Member urged any Councillors who were proposed to the District Heating proposals to vote against them at Full Council.

Councillor Westley noted that many District Heating users had informed him that they would rather not be on the service at all and be on the open market. Councillor Westley moved that the Committee would request the Council to consider a consultation on allowing District Heating users to enter the open market instead. This was seconded by Councillor Porter, and upon being put to the vote that motion was CARRIED.

The Chair moved that the Committee note and endorse the comments of the Housing Scrutiny Committee and the Draft Housing Revenue Account for 2023/24, this was seconded by Councillor Westley, and upon being put to the vote, the motion was CARRIED.

AGREED:

1. That the Committee notes the comments of the Housing Scrutiny Commission and endorses the Draft Housing Revenue Account for 2023/24.
2. That the Committee requests that the Council consider a consultation for District Heating users on being able to enter the open market.
3. That the Committee requests that Officers circulate the modelling on the proposals of Councillor Kitterick and the Tenants and Leaseholders Forum.

Appendix J

Equality Impact Assessment (EIA)

Title of proposal	Housing Revenue Account Budget (including Capital Programme) 2023 / 24
Name of division/service	Housing
Name of lead officer completing this assessment	Helen McGarry
Date EIA assessment completed	
Decision maker	Full Council
Date decision taken	22nd February 2023

EIA sign off on completion:	**Signature**	**Date**
Lead officer		
Equalities officer		
Divisional director		

Please ensure the following:

a) That the document is **understandable to a reader who has not read any other documents** and explains (on its own) how the Public Sector Equality Duty is met. This does not need to be lengthy but must be complete and based in evidence.

b) That available support information and data is identified and where it can be found. Also be clear about highlighting gaps in existing data or evidence that you hold, and how you have sought to address these knowledge gaps.

c) That the equality impacts are capable of aggregation with those of other EIAs to identify the cumulative impact of all service changes made by the council on different groups of people.

d) That the equality impact assessment is started at an early stage in the decision-making process, so that it can be used to inform the consultation, engagement and the decision. It should not be a tick-box exercise. Equality impact assessment is an iterative process that should be revisited throughout the decision-making process. It can be used to assess several different options.

e) Decision makers must be aware of their duty to pay ‘due regard’ to the Public Sector Equality Duty (see below) and ‘due regard’ must be paid before and at the time a decision is taken. Please see the Brown Principles on the equality intranet pages, for information on how to undertake a lawful decision-making process, from an equalities perspective. Please append the draft EIA and the final EIA to papers for decision makers (including leadership team meetings, lead member briefings, scrutiny meetings and executive meetings) and draw out the key points for their consideration. The Equalities Team provide equalities comments on reports.

1. Setting the context

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

The Housing Revenue Account (HRA) operates in a self-financing environment. This means the budget is set by the Council, within boundaries set by Government, taking into account expected levels of income and predictions on what needs to be spent. Spending priorities are made based on the need to achieve the right balance between investing in, maintaining and improving the housing stock, providing landlord services to tenants, building new homes and supporting and repaying housing debt of £252m.

This report recommends that the budget for 2023/24 is set again as a balanced budget. However, there are a number of external pressures that are impacting upon the level of income coming in, which in turn effects the amount that can be spent. These pressures include:

- Pay inflation - Initially it was predicted that employee costs would rise by 2.5% during 2022 / 23. However, it is now predicted that the likely pay settlement will result in an average increase of 6.5%. Including the knock-on effects on employers' National Insurance and pension contributions, this adds costs of over £1.4m per year. An assumed pay award of 5% has been built into this budget proposal, resulting in a further increase in pay costs of just under £1.5m for 2023/24.
- Running cost inflation – Inflation affects almost all areas of HRA running costs, and is largely unavoidable. Materials and contractor inflation are forecast to be £1.1m higher. Also, services which are provided to the HRA by other parts of the council are subject to inflation pressures, and these costs are then passed on to the HRA, adding £1.2m in 2023/24.
- District Heating
  The additional revenue cost of running the District Heating network in 2023/24 is estimated to be £8.5m higher than the previous year. £5.6m of this is to pay for the cost of gas that is used to heat water in the central boilers, and reflects the significant increase in gas prices. In addition, the Council pays towards other non-gas costs incurred by LDEC (Leicester District Energy Company), and these are forecast to cost an extra £2.9m.
- Energy costs - As for the nation more widely, the cost of purchasing gas and electricity by the Council has increased significantly. The Council purchases energy in advance, and as a result the impact of price rises affecting 2023/24 is reasonably

well known. It is predicted that the cost of gas will rise by 300% and electricity by 100%, resulting in a cost pressure of £1.4m. This is the additional cost of energy associated with running neighbourhood housing offices, as well as lighting in the communal areas of flats and associated way-lighting.

- Interest and debt – Borrowing is used to part finance new build and the buying of properties to increase the levels of affordable housing. Money is set aside each year for the re-payment of this debt. The growth in the number of affordable properties means that more debt is now being repaid each year, and this will increase by £0.5m in 2023/24. The HRA is charged interest on this debt as well. It is forecasted that average interest rates are expected to increase these charges by £1.2m in 2023/24. However, over time the debt and interest charges are offset by the rental income received from this additional housing.
- Right to Buy – Council tenants have the right to buy their council home at a discount of up to 70% of the property value. However, it is predicted that Right to Buy sales will reduce if interest rates continue to rise and the cost-of-living crisis continues. As a result of this it is predicted that Right to Buy sales will reduce from 350 in 2022/23 to 300 in 2023/24. Right to Buy sales puts pressure on the HRA because it means there is a loss of rental income from the properties sold. If the 300 sales take place in 2023/24, it is predicted that this will reduce rental income by £1.3m.
- Disrepair claims – There are an increasing number of claims for property disrepair; whilst almost all of these claims have little or no basis, additional legal costs are being incurred to manage this, adding £250k to costs in 2023/24.
- Temporary accommodation - The HRA does not have a budget to cover the cost of providing temporary accommodation to tenants who experience domestic abuse or harassment. This is now consistently costing £150k per year and provision is being made within this budget to finance this.
- Empty properties - There are always periods of time during which properties are not occupied, predominantly the void period between the end of one tenancy and the start of the next. After a 28-day period the Council is liable for void Council Tax. Purchasing properties which require significant refurbishment work has meant that additional void costs of £100k are expected in 2023/24.

Through the Rent Standard, central government set the rules governing the maximum rent which may be charged. In 2020/21 it was announced, that for a 5-year period, rents could rise each year by CPI+1%. As a consequence of the current high inflation rates, under these rules an 11.1% rent increase could have been applied. However, on the 17th November 2022 the Chancellor announced that social rent increases would be capped at 7% for 2023/24.

Therefore, taking into account all the pressures being felt the Housing Revenue Account Budget report is recommending a 7.0% increase to the rents.

The report states that applying a rent increase less than 7% would necessitate either a scaling back of the capital programme , a draw on limited reserves, or revenue service cuts.

As well as this proposed rent increase for 2023/24 the report is recommending:

- Hostel rents and service charges are re-aligned to reflect the current cost of providing services

- Whilst the Gipsy and Traveller sites sit outside the Housing Revenue Account, it is still necessary to set the annual rent for these plots. It is proposed that a 5% rental increase be applied for 2023/24

- Increasing garage rents by 10.1%

- Service charges - These should be set with the intention of recovering the full cost of providing the service. For some time, tenants and leaseholders have been benefitting from charges which are set below the cost of delivery. The intention is to address this disparity when the economic situation affecting tenants is more settled. However, to avoid the gap from widening, it is proposed that a 10.1% increase is applied in 2023/24 in line with inflation, other than for waylighting and district heating.

- Waylighting charges are levied to cover the cost of electricity incurred. Combined with forecasts for the second half of the year, the cost of electricity is expected to be 100% higher in 2023/24 than in 2022/23. This is the basis of the proposed charge for waylighting.

- The most recent estimate that has been supplied by the Leicester District Energy Company is that the price of gas will rise by 214% for 2023/24, and it is proposed that this be reflected in the charge for recipients of the District Heating service for their heating and hot water supply. Whilst the HRA has heavily subsidised the cost of gas for those on District Heating during 2022/23, the charge from April is set to recover this in full.

The following projects are those where it is proposed that changes will be made to the allocation of funding through this Programme:

➢ An additional £15m for new affordable housing (new build and acquisitions)
➢ A budget of £200k to continue estate improvement work
➢ The 3-year Public Realm project for improvements to St Matthews and St Peters estates comes to an end in 2022/23. Therefore no further budget is required for 2023/24.
➢ A proposed budget of £2.3m for 575 boiler replacements

- A proposed budget of £2m to install 300 new kitchens and bathrooms.
- An amount of £1m was added to the 2022/23 budget as a provision towards work that will be required to windows and doors in the future. It is proposed a £50k is set aside for this purpose in the 2023/24 budget
- Historically, loft insulation has had a separate budget allocation within the capital programme. Going forward, this will be incorporated within the wider decarbonisation work within the HRA
- The removal of the £150k budget for waylighting as the programme of work will be completed in 2022/23.
- A budget of £2.3m to introduce metering across all dwellings connected to the district heating network to support tenants in managing the cost impact of rising energy prices.
- The contract with Leicester District Energy Company (LDEC) has to date excluded the Aikman Avenue district heating scheme. Agreement has been reached with LDEC to connect this to the network with a cost contribution of £455k from the HRA.
- A budget of £500k is being re-introduced in 2023/24 for fire risk work.
- The removal of £100k to renew concrete paths as the programme of work will be completed in 2022/23. £750k has been added to the Capital Programme over the past 3 years to help address overcrowding in properties. A sufficient budget remains to support planned work for 2023/24.
- Removal of the £450k budget to re-configure the Dawn Centre. This was a one-off amount to carry out improvement work, which will be completed in 2022/23.
- It is proposed that £200k is added to the £1.1m provision which was included in the 2022/23 capital programme towards concrete work across the St Matthews Estate, including balconies and walkways.

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

2. Equality implications/obligations

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

a. Eliminate unlawful discrimination, harassment and victimisation

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

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

Some of the potential barriers may relate to:

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

b. Advance equality of opportunity between different groups

- How does the proposal/service ensure that its intended outcomes promote equality of opportunity for people?
- Identify inequalities faced by those with specific protected characteristic(s).
- Is this a relevant consideration? What issues could arise?

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

c. Foster good relations between different groups

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

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

3. Who is affected?

Outline who could be affected, and how they could be affected by the proposal/service change. Include people who currently use the service and those who could benefit from, but do not currently access the service.

All tenants and leaseholders of Leicester City Council will be impacted upon by the proposals (just over 19,000 tenants and approximately 1,600 leaseholders). Tenants will be charged more rent. Tenants and Leaseholders will be required to pay increased service charges where these are applicable at their properties. 37 Gypsy and Traveller households, who rent pitches from the council will be impacted upon by the increased charges for these. Those households in receipt of full Housing Benefit or those that receive Universal Housing Costs will have the increased charges paid through their benefit entitlement. All new tenants and leaseholders will be required to pay the additional charges if the proposals are implemented

Approximately 1,900 tenants and an additional 1,000 other households will be impacted upon by paying additional charges for the District Heating service.

Tenants receiving improvements to their properties through the Capital Programme will benefit from the work carried out and both tenants and leaseholders will benefit from estate improvement work funded by the Capital Programme.

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

15,261 are of working age (18 – 65)
1,650 have a disability
10,319 have a white background and 5,794 have other ethnic backgrounds
11,324 are female
41 are Gay and 40 are Lesbian

4. Information used to inform the equality impact assessment

- What **data, research, or trend analysis** have you used?
- Describe how you have got your information and what it tells you
- Are there any gaps or limitations in the information you currently hold, and how you have sought to address this? E.g. proxy data, national trends, equality monitoring etc.

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

5. Consultation

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

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

Consultation with the Tenants' and Leaseholders Forum is to take place on Thursday 26th January 2023 and this EIA will be reviewed and updated following their feedback.

6. Potential Equality Impact

Based on your understanding of the service area, any specific evidence you may have on people who use the service and those who could potentially use the service and the findings of any consultation you have undertaken, use the table below to explain which individuals or community groups are likely to be affected by the proposal because of their protected characteristic(s). Describe what the impact is likely to be, how significant that impact is for individual or group well-being, and what mitigating actions can be taken to reduce or remove negative impacts. This could include indirect impacts, as well as direct impacts.
Looking at potential impacts from a different perspective, this section also asks you to consider whether any other particular groups, especially vulnerable groups, are likely to be affected by the proposal. List the relevant groups that may be affected, along with the likely impact, potential risks and mitigating actions that would reduce or remove any negative impacts. These groups do not have to be defined by their protected characteristic(s).

Protected characteristics

Impact of proposal:

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

Risk of disproportionate negative impact:

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

Mitigating actions:

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

a. Age

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

What is the impact of the proposal on age?

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 households' 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.

What is the risk of disproportionate negative impact on age?

Working age households and families with children – incomes squeezed through reducing real-terms wages

What are the mitigating actions?

Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.

b. Disability

If specific impairments are affected by the proposal, specify which these are. Our standard categories are on our equality monitoring form – physical impairment, sensory impairment, mental health condition, learning disability, long standing illness or health condition.

What is the impact of the proposal on disability?

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

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

Through the Affordable Housing Programme, people with a disability, who are waiting for re-housing on the Housing Register may be offered accommodation to meet their needs sooner.

What is the risk of disproportionate negative impact on disability?

Further erode quality of life being experienced by disabled people.

What are the mitigating actions?

Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets.

Proposed Capital Programme work during 2023/24, to install meters in properties on the District Heating network, will give disabled households more control over their energy use and costs.

c. Gender reassignment

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

What is the impact of the proposal on gender reassignment?

No disproportionate impact is attributable specifically to this characteristic.

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

What are the mitigating actions?

d. Marriage and civil partnership

What is the impact of the proposal on marriage and civil partnership?

No disproportionate impact is attributable specifically to this characteristic.

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

What are the mitigating actions?

e. Pregnancy and maternity

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

No disproportionate impact is attributable specifically to this characteristic

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

What are the mitigating actions?

f. Race

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

What is the impact of the proposal on race?

Those from 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, this will include our Gypsy and Traveller tenants who rent pitches from the council.

A large proportion of properties in the centre area of the city are on the District Heating scheme. We know a higher proportion of people with from Black, Asian and other ethnic backgrounds live in this area, so they could be more impacted upon by the increased service charges for District Heating.

What is the risk of disproportionate negative impact on race?

Household income being further squeezed through low wages and reducing levels of benefit income.

What are the mitigating actions?

Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Where required, interpretation and translation will be provided to remove barriers in accessing support.

Proposed Capital Programme work during 2023/24, to install meters in properties on the District Heating network, will give households more control over their energy use and costs.

g. Religion or belief

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

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

No disproportionate impact is attributable specifically to this characteristic.

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

What are the mitigating actions?

h. Sex

Indicate whether this has potential impact on either males or females

What is the impact

Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents, who are more likely to experience poverty.

What is the risk of disproportionate negative impact on sex?

Incomes squeezed through low wages and reducing levels of benefit income. Increased risk for women as they are more likely to be lone parents.

What are the mitigating actions?

If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources.

Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.

i. Sexual orientation

What is the impact of the proposal on sexual orientation?

Gay men and Lesbian women are more likely to be in poverty than heterosexual people and Trans people even more likely to be in poverty and unemployed. This would mean they are more likely to be on benefits and there could be a disproportionate impact.

What is the risk of disproportionate negative impact on sexual orientation?

Household income being further squeezed through low wages and reducing levels of benefit income.

What are the mitigating actions?

Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Ask local support organisations such as the LGBT Centre to signpost individuals to advice and support services.

7. Summary of protected characteristics

a. Summarise why the protected characteristics you have commented on, are relevant to the proposal?

All protected characteristics have been commented on because the budget proposals will impact upon all tenants and leaseholders.

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

Not applicable

8. Other groups

Impact of proposal:

Describe the likely impact of the proposal on children in poverty or any other people who we may consider to be vulnerable, for example people who misuse substances, ex armed forces, people living in poverty, care experienced young people, carers. List any vulnerable groups likely to be affected. Will their needs continue to be met? What issues will affect their take up of services/other opportunities that meet their needs/address inequalities they face?

Risk of disproportionate negative impact:

How likely is it that this group of people will be negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected?

Mitigating actions:

For negative impacts, what mitigating actions can be taken to reduce or remove this impact for this vulnerable group of people? These should be included in the action plan at the end of this EIA. You may also wish to use this section to identify opportunities for positive impacts.

a. Children in poverty

What is the impact of the proposal on children in poverty?

Children living in over-crowded conditions may benefit from the proposals to convert properties to address this issue. Households with children living in poverty are likely to face difficulties generally, with the rising costs of living.

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

There is a risk that an increasing number of households with children living in poverty are unable to afford all essential items for day-to-day living.

What are the mitigating actions?

Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.

b. Other vulnerable groups

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

None known at present

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

Not applicable

What are the mitigating actions?

Not applicable

c. Other (describe)

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

No potential impact

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

Not applicable

What are the mitigating actions?

Not applicable

9. Other sources of potential negative impacts

Are there any other potential negative impacts external to the service that could further disadvantage service users over the next three years that should be considered? For example, these could include:

- other proposed changes to council services that would affect the same group of service users;
- Government policies or proposed changes to current provision by public agencies (such as new benefit arrangements) that would negatively affect residents;
- external economic impacts such as an economic downturn.

The wider cost of living crisis and rise in energy bills is putting additional financial pressure on all households. The current volatile position of the UK economy at present means it is likely that there will be further financial pressures on households over the next 12 months. The Government has recently announced the way in which businesses were to receive support towards energy costs from

April 2023. The detail of this, and the extent to which this may support in bringing down energy costs for District Heating recipients is currently being assessed. Any savings through government schemes will be passed on to tenants and homeowners. Separately, the Government has announced that for 2023/24 people on means-tested benefits will receive £900 to help meet the additional costs of living, with a further £300 for pensioners and £150 for disabled people.

10. Human rights implications

Are there any human rights implications which need to be considered and addressed (please see the list at the end of the template), if so please outline the implications and how they will be addressed below:

No known impacts at present

11. Monitoring impact

You will need to ensure that monitoring systems are established to check for impact on the protected characteristics and human rights after the decision has been implemented. Describe the systems which are set up to:

- monitor impact (positive and negative, intended and unintended) for different groups
- monitor barriers for different groups
- enable open feedback and suggestions from different communities
- ensure that the EIA action plan (below) is delivered.

If you want to undertake equality monitoring, please refer to our equality monitoring guidance and templates.

Our IT system allows us to monitor tenants rent accounts, including district heating payments and see when accounts go into arrears. Our Income Management Team carries out this monitoring on a daily basis. Through this monitoring we will be able to identify any increases in rent arrears, relating to the proposed increased charges and provide support to tenants to reduce these and maximise their income.

12. EIA action plan

Please list all the equality objectives, actions and targets that result from this assessment (continue on separate sheets as necessary). These now need to be included in the relevant service plan for mainstreaming and performance management purposes.

Equality Outcome	**Action**	**Officer Responsible**	**Completion date**
All tenant and leaseholders are able to pay their rent, service and district heating charges.	The service needs to ensure that they effectively communicate information about the increase in charges as well what advice and assistance is available to tenants, so they are able to access benefits and entitlements. Provide translated materials/options where required.	Chris Burgin – Director of Housing	Ongoing
Households have access to financial help and assistance if they find they are unable to pay for the additional charge	Referrals to the Income Management Team and financial support services in the city. Inform LGBT Centre of support services available for anyone from that characteristic accessing their services.	Zenab Valli – Income Collection Manager	Ongoing

Human rights articles:

Part 1: The convention rights and freedoms

Article 2: Right to Life
Article 3: Right not to be tortured or treated in an inhuman or degrading way
Article 4: Right not to be subjected to slavery/forced labour
Article 5: Right to liberty and security
Article 6: Right to a fair trial
Article 7: No punishment without law
Article 8: Right to respect for private and family life
Article 9: Right to freedom of thought, conscience and religion
Article 10: Right to freedom of expression
Article 11: Right to freedom of assembly and association
Article 12: Right to marry
Article 14: Right not to be discriminated against

Part 2: First protocol

Article 1: Protection of property/peaceful enjoyment
Article 2: Right to education
Article 3: Right to free elections

Tenant profiling information – October 2022

<u>Ethnicity</u>

Ethnicity	Number of Tenants
Any other ethnic group	425
Any other Heritage background	117
Asian/Asian British of other Asian background	576
Asian/Asian British of Bangladeshi origin	209
Asian/Asian British of Indian origin	1,451
Asian/Asian British of Pakistani origin	242
Black/Black British of African 0rigin	1,434
Black/Black British of Caribbean origin	384
Black/Black British of other Black background	204
Black/Black British of Somali origin	385
Chinese of Chinese origin	26
Chinese of other Chinese background	8
Dual/Multi Heritage Asian and White	57
Dual/Multi Heritage Black African and White	54
Dual/Multi Heritage Black Caribbean and White	222
Ethnicity unknown	3,300
Other ethnic group Gypsy/Romany/Irish Traveller	31
Prefer not to say	544
White British	9,437
White of European origin	422
White of Irish origin	124
White of other White background	436

Age

Age	Number of Tenants
0 – 17	4
18 – 21	116
22 – 30	1291
31 – 40	3449
41 – 50	4262
51 – 60	4365
61 – 65	1778
66 - 74	2459
75+	2148
Not known	157

Gender

Gender	Number of tenants
Female	11,324
Male	8,692
Prefer not to say	5
Transgender	8

Religion

Religion	Number of tenants
Atheist	315
Buddhist	19
Christian	2,358

Hindu	385
Jain	2
Jewish	5
Muslim	2,057
No religion	2,525
Not known	11,019
Other	327
Prefer not to say	931
Sikh	86

Sexual orientation

Sexual orientation	**Number of tenants**
Bisexual	165
Gay (female / lesbian)	40
Gay (male)	41
Heterosexual	7,371
Other	182
Prefer not to say	1,178
Not known	11,049

Disability

Disability	**Number of tenants**
Yes	1,650
No	18,379

Appendix K

Scheme of Virement

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

<u>Budget Ceilings</u>

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

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

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

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

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

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

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

<u>Corporate Budgets</u>

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

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

   (b) the Director of Finance may allocate the provisions for pay awards, additional waste and energy cost pressures;

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

Earmarked Reserves

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

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

    (a) a budget ceiling, if the purposes of the reserve are within the scope of the service budget
    (b) year-end budget underspends, subject to the approval of the City Mayor.

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

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

4.b General Revenue Budget 2023/24

The Council is asked to:-

a) Consider the City Mayor's Recommendations for the General Fund Revenue Budget 2023/24 which will be published prior to the Budget Meeting and will be attached to the Council Script;

b) Consider the views of the Overview Select Committee meeting held on 9 February 2023 at Appendix 4. (B2); and

c) Consider the formal resolutions for the General Fund Revenue Budget and Council Tax which will be published ahead of the Budget Meeting and will be attached to the Council Script.

The Council is recommended to:-

a) Approve the formal resolutions for the General Fund Budget 2023/24, including the City Mayor's recommendations, which will be published ahead of the Budget Meeting and will be attached to the Council Script.

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

- Overview Select Committee – 9 February 2023 at Appendix 4 (B2)
- Adult Social Care Scrutiny Commission – 19 January 2023 at Appendix 4 (B3)
- Children, Young People and Education Scrutiny Commission
- – 12 January 2023 at Appendix 4 (B4)
- Economic Development, Transport and Climate Emergency Scrutiny Commission – 26 January 2023 at Appendix 4 (B5)
- Health and Wellbeing Scrutiny Commission – 17 January 2023 at Appendix 4 (B6)
- Heritage, Culture, Leisure and Tourism Scrutiny Commission
- – 10 January 2023 at Appendix 4 (B7)
- Neighbourhood Services Scrutiny Commission – 12 January 2023 at Appendix 4 (B8)

The response from Unison to the Budget proposals is attached at Appendix 4 (B9)

Appendix 4-B1

Council

Date: 22nd February 2023

Revenue Budget 2023/24

Lead director: Director of Finance

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 The finance settlement for 2023/24 has now been confirmed and is reflected in this report. Some elements of our funding (in particular, the level of the public health grant; and the terms and conditions attached to new social care funding) are not yet available and the effects have had to be estimated.

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 some 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 £56m 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 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 have already been reported. 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 £24m 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 are 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;

(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.

(h) note the consultation responses received at Appendix Six.

(i) note the policy on council tax for empty properties, set out at Appendix Seven, which is unchanged from 2022/23.

4. **<u>Budget Overview</u>**

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 budgets	362.1
Corporate Budgets	
Energy costs provision	10.4
Social Care reforms	2.0
Capital Financing	2.3
Miscellaneous Corporate Budgets	1.9
Contingency	4.0
Total forecast spending	**382.7**
Rates retention scheme:	
Business rates income	71.8
Top-up payment	58.1
Revenue Support Grant	33.4
Other resources:	
Council Tax	144.9
Collection Fund surplus	0.3
Social Care grants	35.9
Other grants	4.2
Total forecast resources	**348.6**

Underlying gap in resources	**34.1**
Proposed funding from reserves	(34.1)
Gap in resources	**NIL**

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), including the costs of the 2022/23 pay award;

(b) Budgets have been adjusted where former service-specific grants are now being rolled into mainstream funding. This is a technical change to the way the budget is presented, and does not affect the amounts available for services;

(c) 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;

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

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

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

6.3 The local government pay award for 2023/24 has not yet been agreed; our budget assumes a 5% average pay award. 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 when agreed).

6.4 Additionally, and unusually, £10.4m 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. This includes £1.4m which is the estimated cost of recommendations in the HRA budget report (elsewhere on your agenda) in respect of heating provided to owners of former council dwellings. Whereas any subsidy provided to our tenants falls on the HRA, any subsidy provided to homeowners is a cost which must be met by the General Fund. Decisions taken in respect of the HRA budget will therefore have a consequential impact on the General Fund budget.

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), with continued growth 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.

6.10 Additional funding is being made available for pressures in adult social care, through a combination of increased social care grant and hospital discharge related funding (the latter will be paid either directly to LAs or via the NHS through the Better Care Fund). Grant paid directly to us has been announced at £2.5m (rising to an estimated £4.1m in 2024/25) to improve hospital discharges. The conditions have not been announced, but the budget assumes that the whole grant will be required for additional expenditure. The amount of Better Care Fund monies has not yet been announced, and an estimate has been made. The Government has funded these additional grants chiefly from the savings arising from deferring the reforms. It is expected, however, that certain aspects of the reforms will continue to require resources. The Government has provided £3.7m (rising to an estimated £5.5m in 24/25) to improve care market sustainability, but the conditions of this grant (and hence any additional spending requirements) have regrettably not been announced. This has required us to maintain a corporate budget of £2m per year as a contingency

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 increases in government grant). These growth figures 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 at the time of calculation). 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.

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 2022.

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 £45,000 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 £10.3m by the end of 2022/23 resulting from unavoidable overspends (in fact, most authorities are in a significantly worse position). Under a "statutory override" available until 2025/26, this deficit does not reduce our general fund reserves and has not therefore been included in the figures for this budget report. 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 £1.1m in 2022/23). 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. The government has not yet announced allocations of the public health grant in 2023/24, so an estimate has been included in the budget. The budget assumes that any cost inflation arising from NHS wage rises will be reflected in the amount allocated.

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. 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. As stated at paragraph 6 above, it also includes £2m for any residual costs arising from the deferred social care reforms which exceed the amount of grant received. These budgets are offset by the effect of recharges from the general fund into other statutory accounts of the Council.

7.5 For this budget, **central provisions** are also held for the costs of pay awards, increased energy costs, 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.

8. Resources

8.1 The local government finance settlement for 2023/24 was published on 6th February, and is reflected in this report. Some information about grants has still not been published, requiring us to base this budget on estimates.

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 pressures on high street businesses. 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 compensation now makes up around a third of the "rates" income received by the Council.

8.7 The forecasts in this budget show no significant growth or decline in rates from the 2022/23 position. In effect, it appears that changes the Government is making to payable rates, including the impact of the revaluation and absence of inflationary uplift, will be broadly compensated by other changes in grants.

8.8 Other funding streams that were available in 2022/23, including the £7m Services Grant, have been significantly cut back in the 2023/24 settlement, with the funding diverted to other priorities.

Council tax

8.9 Council tax income is estimated at £144.9m in 2023/24, based on an 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 has recovered 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. Further changes are proposed in the Levelling-Up and Regeneration Bill, currently before Parliament, which will widen the criteria we can use to set premia. Delays in passing the Bill mean that much of the benefit will not now be available until 2025/26. Our current policies are described at Appendix Seven.

Other grants

8.12 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:

(a) **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. Our allocation for 2023/24 is just £0.1m – at its peak in 2016/17 we received over £9m.

(b) **Social Care Grant**, which has been provided each year since 2016/17 to reflect national cost and demographic pressures. Additional funding was announced in the Autumn Statement in November; our share of this funding in 2023/24 will be £28.1m, and we expect this to rise again in 2024/25.

(c) **Other social care grants** include the Market Sustainability and Improvement Fund (£3.7m) and funding to support hospital discharge (£2.5m). Planning has been made more difficult because we do not know the conditions attached to the use of this grant.

Collection Fund surplus / deficit

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

8.14 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.

8.15 The Council has an estimated **business rates collection fund surplus** of £1.4m. 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 largest element of the underlying balance results from lower than expected appeals against property valuations at the last revaluation in 2017.

8.16 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. The overall (combined) collection fund, including all the various adjustments, is a surplus of £0.3m as shown at paragraph 4.

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, £23.3m 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 £56m for future years.

9.3 Unless further savings are found, the draft budget will require £34.1m of support from reserves in 2023/24, leaving just over £20m 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	(23.3)
Estimated amount required for 2023/24 budget	(34.1)
Balance Remaining for 2024/25	**21.8**

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 in 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. Recently, inflation has shown signs of levelling off, and economic forecasts expect it 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 is being taken to prevent overspending. This will need to be monitored;

(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 £2m 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. This is higher than in previous years, to reflect the greater risks around inflation;

(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. Consultation on the Draft Budget

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

13.2 Comments from scrutiny committees, and from Unison, have been circulated with your agenda.

14. Financial, Legal and Other Implications

14.1 Financial Implications

This report is exclusively concerned with financial issues.

14.2 Legal Implications

14.2.1 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.

14.2.2 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.

14.2.3 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.

14.2.4 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 has undertaken tailored consultation exercises with wider stakeholders in addition to representatives of ratepayers.

14.2.5 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.

14.2.6 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
9th February 2023

Appendix One

Budget Ceilings

	2022/23 latest budget	Savings agreed	Growth planned in budget	National Insurance adjustments	Other technical changes	Non pay inflation	Budget ceiling 23/24
1. City Development & Neighbourhoods							
1.1 Neighbourhood & Environmental Services							
Divisional Management	**243.6**			(0.6)			**243.0**
Regulatory Services	**2,240.4**			(14.4)			**2,226.0**
Waste Management	**18,178.0**	(30.0)		(1.8)		2,979.1	**21,125.3**
Parks & Open Spaces	**5,110.4**	(65.0)		(35.9)			**5,009.5**
Neighbourhood Services	**5,861.6**	(26.0)		(11.6)			**5,824.0**
Standards & Development	**1,855.5**	(59.0)		(9.4)			**1,787.1**
Divisional sub-total	**33,489.5**	**(180.0)**	**0.0**	**(73.7)**	**0.0**	**2,979.1**	**36,214.9**
1.2 Tourism, Culture & Inward Investment							
Arts & Museums	**4,425.2**	(182.2)		(7.2)			**4,235.8**
De Montfort Hall	**581.8**	(40.0)		(6.3)			**535.5**
City Centre	**176.7**			(0.7)			**176.0**
Place Marketing Organisation	**390.4**			(1.0)			**389.4**
Economic Development	**93.6**	24.0		(3.8)			**113.8**
Markets	**(186.8)**	(20.0)		(1.7)			**(208.5)**
Adult Skills	**(870.4)**						**(870.4)**
Divisional Management	**187.6**			(1.0)			**186.6**
Divisional sub-total	**4,798.1**	**(218.2)**	**0.0**	**(21.7)**	**0.0**	**0.0**	**4,558.2**
1.3 Planning, Transportation & Economic Development							
Transport Strategy	**10,043.9**	(45.0)		(14.3)			**9,984.6**
Highways	**3,364.1**	(305.0)		(28.5)			**3,030.6**
Planning	**1,148.5**			(10.5)			**1,138.0**
Divisional Management	**142.3**			(0.8)			**141.5**
Divisional sub-total	**14,698.8**	**(350.0)**	**0.0**	**(54.1)**	**0.0**	**0.0**	**14,294.7**
1.4 Estates & Building Services	**6,002.7**	(1,046.2)		(29.3)			**4,927.2**
1.5 Housing Services	**3,834.7**	(174.0)	1,000.0	(25.8)			**4,634.9**
1.6 Departmental Overheads	**833.8**	(256.0)		(2.0)			**575.8**
DEPARTMENTAL TOTAL	**63,657.6**	**(2,224.4)**	**1,000.0**	**(206.6)**	**0.0**	**2,979.1**	**65,205.7**

Appendix One

Budget Ceilings

	2022/23 latest budget	Savings agreed	Growth planned in budget	National Insurance adjustments	Other technical changes	Non pay inflation	Budget ceiling 23/24
2.Adults							
2.1 Adult Social Care & Safeguarding							
Other Management & support	**767.2**			(2.6)			**764.6**
Safeguarding	**243.0**			(0.9)			**242.1**
Preventative Services	**7,389.0**			(16.6)			**7,372.4**
Independent Sector Care Package (	**131,169.6**		18,743.0		836.5	2,723.1	**153,472.2**
Care Management (Localities)	**8,355.2**			(24.7)			**8,330.5**
Divisional sub-total	**147,924.0**	**0.0**	**18,743.0**	**(44.8)**	**836.5**	**2,723.1**	**170,181.8**
2.2 Adult Social Care & Commissioning							
Enablement &Day Care	**3,326.5**			(13.3)			**3,313.2**
Care Management (LD & AMH)	**5,518.0**	(128.4)		(20.3)			**5,369.3**
Preventative Services	**1,029.8**	(10.0)		(0.3)			**1,019.5**
Contracts,Commissioning & Other S	**6,680.7**	(120.6)		(18.4)			**6,541.7**
Departmental	**(34,222.3)**	(80.0)		(2.8)			**(34,305.1)**
Divisional sub-total	**(17,667.3)**	**(339.0)**	**0.0**	**(55.1)**	**0.0**	**0.0**	**(18,061.4)**
DEPARTMENT TOTAL	**130,256.7**	**(339.0)**	**18,743.0**	**(99.9)**	**836.5**	**2,723.1**	**152,120.4**
3. Education & Children's Services							
3.1 Strategic Commissioning & Business	**2,510.0**	(114.0)		(10.5)			**2,385.5**
3.2 Learning Quality & Performance							
Raising Achievement	**397.7**			(3.1)			**394.6**
Learning & Inclusion	**1,400.4**	(29.1)		(6.0)			**1,365.3**
Special Education Needs and Disab	**16,365.7**		1,500.0	(29.1)			**17,836.6**
Divisional sub-total	**18,163.8**	**(29.1)**	**1,500.0**	**(38.2)**	**0.0**	**0.0**	**19,596.5**
3.3 Children, Young People and Families							
Children In Need	**14,933.0**	(456.4)		(34.9)			**14,441.7**
Looked After Children	**41,126.8**	(15.0)	2,500.0	(29.3)		210.3	**43,792.8**
Safeguarding & QA	**2,648.9**	(26.7)		(7.7)			**2,614.5**
Community Safety	**907.8**			(2.2)			**905.6**
Early Help Targeted Services	**5,935.0**	(1.5)		(17.4)			**5,916.1**
Early Help Specialist Services	**3,582.8**	(8.9)		(13.6)			**3,560.3**
Divisional sub-total	**69,134.3**	**(508.5)**	**2,500.0**	**(105.1)**	**0.0**	**210.3**	**71,231.0**
3.4 Departmental Resources	**1,539.7**	(61.0)	500.0	(2.4)			**1,976.3**
DEPARTMENTAL TOTAL	**91,347.8**	**(712.6)**	**4,500.0**	**(156.2)**	**0.0**	**210.3**	**95,189.3**

Appendix One

Budget Ceilings

	2022/23 latest budget	Savings agreed	Growth planned in budget	National Insurance adjustments	Other technical changes	Non pay inflation	**Budget ceiling 23/24**
4. Health and Wellbeing							
Adults' Services	**8,950.7**	(50.0)					**8,900.7**
Children's 0-19 Services	**8,819.3**	(100.0)			63.9		**8,783.2**
Lifestyle Services	**1,313.7**	(55.0)		(3.3)			**1,255.4**
Staffing & Infrastructure& Other	**2,606.2**			(10.0)			**2,596.2**
Sports Services	**2,420.6**			(15.5)			**2,405.1**
DEPARTMENT TOTAL	**24,110.5**	**(205.0)**	**0.0**	**(28.8)**	**63.9**	**0.0**	**23,940.6**
5. Corporate Resources Department							
5.1 Delivery, Communications & Politica	**5,827.2**	(50.5)		(19.2)			**5,757.5**
5.2 Financial Services							
Financial Support	**5,251.5**	(172.0)		(23.5)			**5,056.0**
Revenues & Benefits	**7,242.6**			(29.1)	433.0		**7,646.5**
Divisional sub-total	**12,494.1**	**(172.0)**	**0.0**	**(52.6)**	**433.0**	**0.0**	**12,702.5**
5.3 Human Resources	**4,020.3**	(25.0)		(15.4)			**3,979.9**
5.4 Information Services	**10,866.1**	(45.0)		(29.2)			**10,791.9**
5.5 Legal Services	**3,774.3**			(21.5)			**3,752.8**
DEPARTMENTAL TOTAL	**36,982.0**	**(292.5)**	**0.0**	**(137.9)**	**433.0**	**0.0**	**36,984.6**
TOTAL -Service Budget Ceilings	**346,354.6**	**(3,773.5)**	**24,243.0**	**(629.4)**	**1,333.4**	**5,912.5**	**373,440.6**
Public Health grant							**(28,448.1)**
Assumed use of social care grants							**6,146.6**
Provision for additional waste							**2,000.0**
Pay award provision							**9,000.0**
Net service budgets							**362,139.1**

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 (policy decisions will include use of the provision for waste re-procurement and the provision for residual ASC reforms);

   (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;

   (d) The capital financing budget is spent as a consequence of the Council's treasury management strategy (elsewhere on your agenda).

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.

Appendix Three

Equality Impact Assessment

1. **Purpose**

1.1 This appendix presents the equalities impact of a proposed 4.99% council tax increase (which 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 30th November 2022, there were 131,976 properties liable for council tax in the city (excluding those registered as exempt, such as student households).

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

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

2.4 For 2023/24, additional government support is being provided so all CTSS claimants will receive an additional £25 reduction on their bill (or reduce the bill to zero).

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 other 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 after CTSS	Weekly increase / (reduction) after CTSS and £25 additional discount
A-	310	£0.93	£0.19	(£0.29)
A	77,845	£1.12	£0.22	(£0.26)
B	26,427	£1.30	£0.26	(£0.22)
C	15,328	£1.49	£0.45	(£0.03)
D	6,539	£1.67	£0.63	£0.15
E	3,372	£2.05	£1.00	£0.52
F	1,517	£2.42	£1.38	£0.90
G	602	£2.79	£1.75	£1.27
H	36	£3.35	£2.31	£1.83
Total	**131,976**			

3.2 In most cases, the change in council tax (around £1.30 per week for a band B property with no discounts) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. For households on the maximum CTSS, the additional £25 discount means many will pay *less* council tax in 2023/24 than in 2022/23. This should protect the lowest-income households from the impact of the increase next year; in future years, households receiving CTSS will see an increase in the amount payable if the Government withdraws the £25 payment, albeit small in most cases (just 26p per week for a band B property eligible for the full 80% reduction).

3.3 A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.

3.4 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.

3.5 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. **Alternative options**

4.1 The realistic alternative to a 5% council tax increase would be a lower (or no) increase. It should be noted that the proposed increase is 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. **Mitigating actions**

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

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

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

Analysis of impact based on protected characteristic

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
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).		

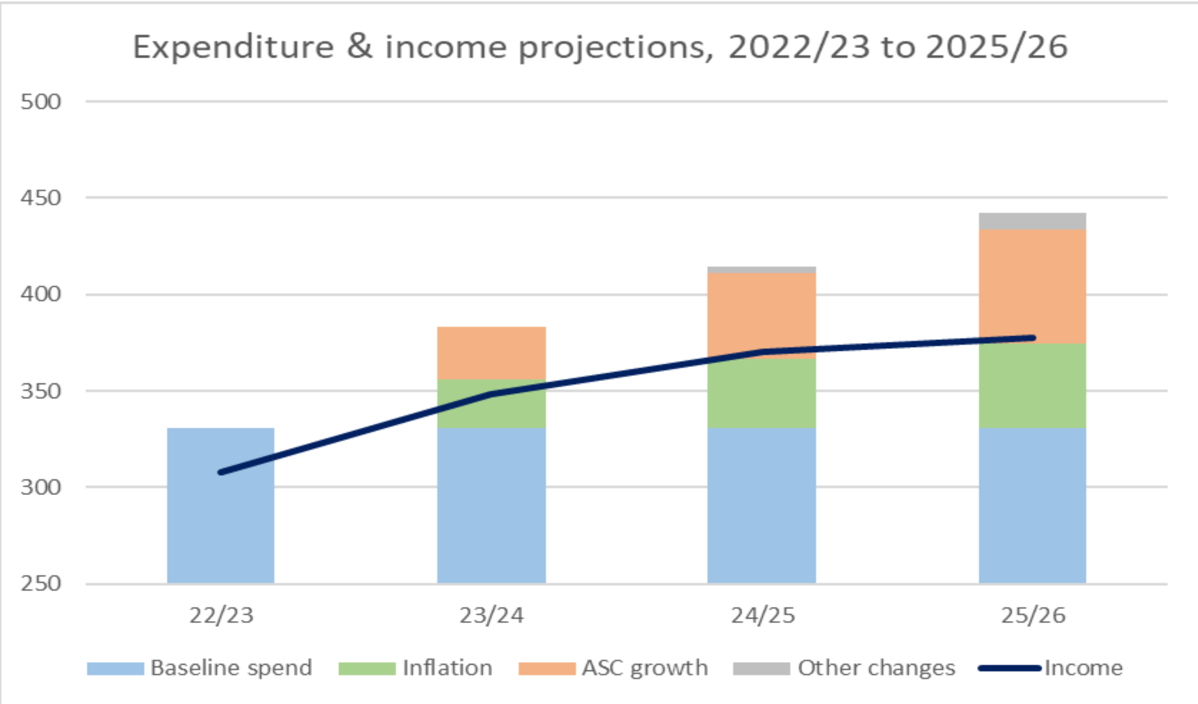
Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Race	Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some ethnic minority people are also low income and on benefits.	Household income being further squeezed through low wages and reducing levels of benefit income if in receipt of LHA.	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, especially for 2025/26.

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 34% (in cash terms) while income projections rise by only 23% assuming there is no change in Government policy.
   - **The biggest factor in these increases is 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).



NB scale does not start at zero

   - **We have already invested significant amounts in social care.** Between 2016 and 2022 we saw the cost of adults' social care packages increase by nearly £50m, or 50%, 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)	372.5	399.1	421.8
Corporate and other centrally held budgets	6.2	7.1	8.2
Contingency	4.0		
Planning provision		8.0	12.0
Expenditure total	**382.7**	**414.2**	**442.0**
Business rates income	71.8	74.7	75.9
Top-up payment	58.1	60.4	61.5
Revenue Support Grant	33.4	34.7	34.7
Council Tax	144.9	153.8	159.1
Collection Fund surplus	0.3		
Social Care grants	35.9	44.4	44.4
Other grants	4.2	2.0	2.0
Income Total	**348.6**	**370.0**	**377.6**
Indicative Budget gap	**34.1**	**44.2**	**64.4**

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 **2001** 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 appears to have stabilised in recent months, although it remains high at 10.5% (CPI) in December 2022. Forecasts suggest it will 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 17% 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 in 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	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 2024/25 follows the plans set out in the CSR as adjusted by the Autumn Statement in November 2022, with no significant distributional changes. The Services Grant is likely to be cut further in 2024/25. 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 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.
Social care funding	Terms and conditions of the grants will mean that most of the additional funding for market sustainability and hospital discharge will be needed for new expenditure, over and above previous plans.	Will be kept under review once the full terms & conditions are known.

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**

Appendix Six

Consultation Responses

1. Two consultation responses have been received. from the **Mental Health Partnership Board** (MHPB

2. The **Mental Health Partnership Board** members expressed their concerns about the funding squeeze and the likely effect on service levels. The full response is available from the report authors.

3. A response has been received from **Unison,** which will be circulated with the agenda.

4. Comments from scrutiny committees will also be circulated with the agenda.

Appendix Seven

Empty Properties

1. This appendix sets out the current policy on council tax for empty properties, and outlines changes that are expected for future years, subject to legislation and Council decisions.

Unfurnished Empty Properties

2. Since 2013, councils have had considerable discretion over the levels of tax payable on unfurnished empty properties (Local Government Finance Act, 1992 and associated regulations). Our policy seeks to use this discretion to support our empty homes policy, by charging the maximum permitted premium for such homes, once they have been empty for more than a month.

3. No changes to the current policy are proposed for 2023/24. From 1st April 2024, subject to legislation currently in Parliament, changes are proposed which will increase the amounts payable on homes which have been empty between one and two years. A formal decision will be required once the legislation has passed into law.

4. These homes can be charged more than the standard council tax for occupied properties. The premium applied depends on how long the property has been empty, irrespective of the owner.

5. These are our policies for charging Council Tax on unfurnished empty properties:

Description	Current level of charge (unchanged for 2023/24)
Empty for up to one calendar month	0%
Empty from one calendar month to two years	100%
Empty for more than two years	200%
Empty for more than five years	300%
Empty for more than ten years	400%

Empty Furnished Homes

6. The proposed legislation will also permit authorities to charge a premium of up to 100% on tax for homes only occupied periodically, which are furnished. At present, no premium can be charged on these. A formal decision will be required once the legislation has passed into law.
7. Because 12 months' notice is required, any decision relating to furnished homes will not take effect until 2025/26.

Leicester
City Council

EXTRACT

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 9 FEBRUARY 2023 at 5:30 pm

PRESENT:

Councillor Cassidy (Chair)
Councillor Gee (Vice Chair)

Councillor Batool
Councillor Pantling
Councillor Porter
Councillor Thalukdar
Councillor Westley

Also present:

Sir Peter Soulsby	City Mayor
Councillor Cutkelvin	Assistant City Mayor
Councillor Myers	Assistant City Mayor
Alretaj Al-Showali	Youth Representative
Dena Al-Showali	Youth Representative
Henry Zawadzki	Youth Representative

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78. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Halford, Joel, and Joshi.

79. DECLARATIONS OF INTEREST

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

Councillors Thalukdar and Westley make a declaration in relation to the report on the Housing Revenue Account Budget for 2023/24 that they had relatives who were Council tenants.

87. DRAFT REVENUE BUDGET

The Director of Finance submitted the Draft Revenue Budget 2023/24 alongside the minute extracts from the Scrutiny Commissions discussion on the Budget.

The Committee was asked to consider the draft report and the comments made by the Scrutiny Commissions, and to pass its comments on those to the meeting of Council for consideration

The Director of Finance presented the item, it was noted that the context to the budget was a decade of austerity as well as cuts expected from 2025/26, inflationary costs, and the rising costs of Adult Social Care. The budget gap of £33m in 2023/24 was expected to rise to £66m by 2025/26. The final Government Finance Settlement had now been received, resulting in a slightly worsening budget gap position. The budget gap would be managed through the managed reserves strategy alongside identifying savings.

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

- The previous underspend for Adult Social Care had gone into the reserves which would be used the manage the overall budget gap.
- £1.2m was spent in 2022/23 on heating the Council's Leisure Centres.
- A 5% Council Tax increase was proposed, including a 2% Social Care Levy.
- Costs of SEND Taxi Contracts were rising significantly, due to this there was an effort to move towards Personal Transport Budgets for SEND children which were much cheaper and provided independence.
- There were efforts to move the Council's fleet over to electric vehicles which would be positive for the environment and save costs in the long run.

The Chair praised the leadership of the Council on the managed reserves strategy which had enabled the Council to have the reserves to manage the current budget gap.

A Member reminded the Committee that the financial crash of 2008 took place under a Labour Government and argued that the Labour Party was untrustworthy with the economy.

The Chair moved that the Committee note and endorse the Draft Revenue Budget 2023/24. This was seconded by Councillor Gee and upon being put to the vote, the motion was CARRIED.

AGREED:

1. That the Committee notes and endorses the Draft Revenue Budget for 2023/24.
2. That the Committee requests that Officers let Committee Members and

Youth Representative know where joint funding for High Needs Children came from.

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

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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.

Appendix 4-B4

MINUTE EXTRACT

Leicester
City Council

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

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
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.

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.

Leicester City

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UNISON – BUDGET RESPONSE 23/24

UNISON have for many years sought to get the Local Government Association to join with us in campaigning for better/fairer funding for local government. To date despite having the same aim most of these endeavours have been done separately (and unsuccessfully).

As you know, Local Authority funding has been in crisis since 2010. The Government reduced core funding by £15 billion since 2010 and Councils face a combined funding gap of £3.4 billion in 2023/4 and £4.5 billion in 2024/5 according to the Chair of the LGA. In many Local Authorities central funding has reduced by 50%. The number of job losses as a result has been substantial – some councils report losses of 50% of their posts in this time.

The Guardian reported in October 21 that at least 25 local authorities were on the verge of receiving S114 notices because they could not balance their budgets after 3 had gone through this process, Slough, Northamptonshire, and Croydon. A number had narrowly avoided this by making massive cuts to services such as Somerset Council. It is likely that post-COVID the number has increased.

It is now anticipated that the Tories will embark on Austerity V2.0 as inflation strips away at this year's funding settlement. On top of this various estimates state that the Government is looking to balance the public sector 'books' by making up to £50 billion of cuts. Having met very little resistance from Councillors to cuts over the last 12 years it is highly likely they will look to make major savings to Local Authority budgets again.

We understand that councils across the country are having to make difficult decisions daily, trying to balance budgets during a time when funding has been slashed. We recognise that local government has endured central government funding cuts of nearly 50% since 2010. Between 2010 and 2020, councils have lost 60p out of every £1 they have received from central government

It is our firm belief that responsibility must lie with the Tory government over their failure to provide adequate funding for councils and the communities that they provide for and that this failure to date has created significant pressures in arriving at a balanced budget

Successive reductions in the settlement received from central government coupled with pressures particularly in social care has led to cuts to departmental budgets which whilst not resulting in wholescale service cuts or large numbers of compulsory redundancies (to date) have had their impact.

Over the years UNISON has warned against believing that cuts however ‘small’ have no impact. Leaving vacancies unfilled creates additional work for those who are left behind. Staff become demoralised and burnt out and in the current climate are likely to seek work elsewhere. With unemployment at a record low and local government pay stagnating, even some traditionally low-paid high street/retail jobs have caught up and overtaken local government pay

We fear that we are approaching a time in which the Council will be feeling the pressure to make even greater cuts to jobs and services, and it is this course of action that we believe we need to warn against.

We must stop congratulating ourselves on managing on ever decreasing revenue; now must be the time for a Labour controlled authority to do all in its power to resist making damaging cuts which can/will never be reversed (the reality is once a service is gone the chances of its restoration is negligible). The Authority must do all that it can to stop implementing Tory cuts.

UNISON don’t believe this is an impossible task. As you may recall in 2017 the Council stated that whilst they’d managed to increase their managed reserves account to £40.9 million (as of April 2016) they predicted that the reserves would be completely exhausted by April 2019 and yet this did not happen. Instead from April 2018 the managed reserves account increased until it reached a high of £83. 3 million as at April 2022 despite the use of these reserves to plug gaps in income in those intervening years.

It is UNISON’s view that the managed reserves account isn’t the sole resource for the Authority to rely on. The Authority hold just over £49 million in departmental earmarked reserves and close to £135 million in corporate reserves (not including the amount set aside for the managed reserves strategy). Now is the time to be using these resources with a view to preventing cuts to jobs and services.

We have looked at the categories of reserves reported to full Council over the past 6 years and carried out a brief comparison/analysis of the various subheadings within the categories of ringfenced, departmental earmarked and corporate reserves. The undeniable conclusion is that they can be used and indeed must be used at this time of crisis.

With a general election likely next year and in any event no later than January 2025 this is a one-off proposal but now is the time to stand firm – to explore all available avenues available to the Council to resist cuts.

UNISON along with our sister trades union in the city will be stepping up our anti-cuts campaigning and would urge the Council to join with us

Janet McKenna on behalf of UNISON
7 February 2023

Useful links
[Councils face cash crisis of more than £3bn, says UNISON | News, Press release | News | UNISON National]
https://www.unison.org.uk/news/2022/09/union-leaders-call-on-pm-to-rule-out-crippling-cuts-to-public-services/

4. c Capital Programme 2023/24

The Council is asked to:-

a) Consider the comments of the City Mayor’s Recommendations for the Capital Programme 2023/24 to be published before the Budget Meeting and will be attached to the Council Script; and

b) Consider the views of the Overview Select Committee meeting held on 9 February 2023 and attached at Appendix 4 (C-2).

The Council is recommended to:-

a) Approve the recommendations for the Capital Programme 2023/24 in paragraph 2 of the report at Appendix 4 (C-1), including the City Mayor’s recommendations, which will be published ahead of the Budget Meeting and will be attached to the Council Script.

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 £43.7m. In addition to this, the HRA capital programme (which is elsewhere on your agenda) includes works estimated at £26.1m, £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	2.3
Libraries	1.0
Own buildings	5.4
Parks & Play Areas	2.6
Routine Works	5.7
Feasibility and Contingencies	3.0
Total New Schemes	**43.7**
Funding	
Unringfenced Resources	40.7
Monies ringfenced to Schemes	3.0
Total Resources	**43.7**

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

	£m
General Fund	43.7
Housing Revenue Account	26.1
Total	**69.8**

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 required to fund the proposed programme, which total some £43.7m. 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); and

(c) £16.2m 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; and

(c) Earmarked reserves, such as the Transformation Fund

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

3.11 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.

3.12 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.

<u>Proposed Programme</u>

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

3.14 £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 two year programme to allow for better forward planning. The proposed programme is shown at Appendix 5: detailed schemes will be developed following consultation with schools.

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

(c) £2.6m is provided in 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.

3.15 £2.3m is provided for Highways & Infrastructure.

(a) £1.8m is provided in a policy provision 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 repair **St Nicholas Wall** due to its current condition. The works will be undertaken following engagement and agreement with Historic England.

3.16 £1m is provided for Libraries.

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

3.17 £5.4m is provided for the Council's own buildings.

(a) £3.5m has been provided to support the annual **Operational Estate Capital Maintenance Programme** of works to properties that the Council occupies for its own use. This is a rolling annual programme and spending is prioritised to reflect asset condition and risk. The proposed programme is shown at Appendix 3, but may vary to meet emerging operational requirements.

(b) £1.25m is for the provision of meters for the **District Heating** Programme. This is part of the same scheme outlined in the Housing Revenue Account Budget Report. The financing will be met by a mix of corporate resources and borrowing which will then be repaid with the income from homeowners (leaseholders).

(c) £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.

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

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

3.18 £2.6m is provided for Parks & Play Areas.

(a) £2.5m has been provided to support the improvement of the Council's **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.

3.19 £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, cycleways 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** on Kirby Road**,** 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 powers. £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.

3.20 £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.

(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.

Proposed Programme – Policy Provisions

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

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

3.23 Some of the schemes described above will be treated as policy provisions.

Capital Strategy

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

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

Consultation

3.26 No comments have been received on the draft capital programme from any stakeholders. Minutes of scrutiny committees have been circulated with your agenda for the meeting.

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. Furthermore, there is proposed borrowing of £850k for the district heating programme with the aim of repaying this borrowing over the next 5 years from the income received from homeowners (leaseholders). 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 PSED.

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

4.3.5 Some of the schemes focus on meeting specific areas of need for a protected characteristic: Disabled Facilities Grants (disability), 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 PSED. For example, schemes which support people in being able to stay in their homes, to continue to lead independent lives, and to participate in community life help promote equality of opportunity, another one of the aims of the PSED.

4.3.7 Where there are any improvement works to buildings or public spaces, considerations around accessibility (across a range of protected characteristics) must influence design and decision making. This will ensure that people are not excluded (directly or indirectly) from accessing a building, public space, or service, based on a protected characteristic.

All schemes should consider the PSED and conducting Equality Impact Assessments where relevant to inform the process.

Kalvaran Sandhu, Equalities Manager

4.4 Climate Emergency implications

4.4.1 The Council declared a climate emergency in February 2019 and is delivering its Climate Emergency Strategy & Action Plan, which sets an ambition for the council and city to achieve net zero carbon emissions. The council is one of the largest employers and landowners in the city, with a carbon footprint of 16,852 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

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

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

5. Background information and other papers:

6. Summary of appendices:

Appendix 1 – Capital Resources.

Appendix 2a – Grant Funded Schemes

Appendix 2b – Highways, Transport & Infrastructure

Appendix 2c – Libraries

Appendix 2d – Own Buildings

Appendix 2e – Parks and Play Areas

Appendix 2f – Routine Works

Appendix 2g – Feasibilities and Contingencies

Appendix 3 – Operational Estate Maintenance Capital Programme

Appendix 4 – Highways Maintenance Capital Programme

Appendix 5 – Children's Capital Improvement Programme

Appendix 6 – Capital Strategy 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 Council.

Report Author: Ben Matthews

Appendix One

Capital Resources

	23/24	24/25	Total
	{£000}	*{£000}*	*{£000}*
Resources Brought Forward			
Previous years' savings	16,278	-	**16,278**
Total One Off Resources	**16,278**	**-**	**16,278**
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	**34,753**	**6,000**	**40,753**
Ringfenced resources	**2,981**	**-**	**2,981**
TOTAL CAPITAL RESOURCES	**37,734**	**6,000**	**43,734**

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	15,855	-	**15,855**
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			**21,693**	**2,011**	**23,704**

Key to Scheme Types : 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					
Highways, Transport & Infrastructure	CDN (PDT)	PP	1,800	-	**1,800**
St Nicholas Wall	CDN (EBS)	PJ	460	-	**460**
TOTAL			**2,260**	**-**	**2,260**

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

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	3,500	-	**3,500**
District Heating – Metering	CDN (EBS)	WP	400	850	**1,250**
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			**4,595**	**850**	**5,445**

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

Summary of Ringfenced Funding

	{£000}
Prudential Borrowing	850
TOTAL RINGENCED FUNDING	**850**

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

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

Feasibilities and Contingencies

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

GRAND TOTAL – ALL SCHEMES	**40,753**	**2,981**	**43,734**

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.	1,469
Emergency Provision – Provision for emergency reactive works that could be required across the Council's estate	274
TOTAL	**3,500**

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.	6,405
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	**15,855**

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	103.1
Tourism, Culture & Inward Investment	12.7	39.0
Neighbourhood & Environmental Services	1.8	3.9
Estates & Building Services	20.8	9.5
Adult Social Care	0.6	6.4
Children's Services	15.8	44.9
Public Health	2.1	2.5
Housing General Fund	5.5	13.2
Total General Fund	**118.7**	**233.2**
Housing Revenue Account	34.3	169.4
Total	**153.0**	**402.6**

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. <u>Financing Capital Expenditure</u>

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	263	260	255

(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. **<u>Debt Repayment</u>**

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 <u>Council's</u> interest in the asset which has been financed (this may be the asset life, or may be lower if the Council's interest is subject to time limits). Where borrowing funds a loan to a third party, repayment will never exceed the period of the loan.

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

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

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

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

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

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

4.11 In circumstances where the investment strategy permits use of borrowing to support projects which achieve a return, the Director of Finance may adopt a different approach to debt repayment to reflect the financing costs of such schemes. 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	0.6	0.7
HRA	11.4	12.8	14.1

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.

EXTRACT

Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 9 FEBRUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Cassidy (Chair)
Councillor Gee (Vice Chair)

Councillor Batool
Councillor Pantling
Councillor Porter
Councillor Thalukdar
Councillor Westley

Also present:

Sir Peter Soulsby	City Mayor
Councillor Cutkelvin	Assistant City Mayor
Councillor Myers	Assistant City Mayor
Alretaj Al-Showali	Youth Representative
Dena Al-Showali	Youth Representative
Henry Zawadzki	Youth Representative

* * *   * *   * * *

78. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Halford, Joel, and Joshi.

79. DECLARATIONS OF INTEREST

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

Councillors Thalukdar and Westley make a declaration in relation to the report on the Housing Revenue Account Budget for 2023/24 that they had relatives who were Council tenants.

88. DRAFT CAPITAL PROGRAMME

The Director of Finance submitted the Draft Capital Programme 2023/24 alongside the minute extracts from the Scrutiny Commissions discussion on the Programme.

The Committee was asked to consider the draft report and the comments made by the Scrutiny Commissions, and to pass its comments on those to the meeting of Council for consideration.

The Director of Finance presented the item, it was noted that the context to the Capital Programme was similar to the revenue budget with economic uncertainty meaning that significant savings needed to be made. Additional issues were the volatility in the construction industry and the technical capacity to support new large capital projects with significant on-going schemes such as the three Levelling Up Schemes. Therefore, this was a 1-year limited scale programme. The majority of the programme was funded by grants and capital receipts.

In response to a question from a Youth Representative it was noted that the £2m invested in Libraries in the Programme was for improved technology for self-service to access Council Services at Libraries.

Councillor Porter raised concerns about the Council selling a number of properties on Castle View, concern was raised about the lack of consultation of the sales. It was suggested that a private owner would not be able to properly preserve the historic buildings. The City Mayor responded to this point by noting that there was a press release about the sales, the City Mayor also noted various examples of the Council working with private owners to restore historic buildings in the city such as Wygston's House and Winstanley House.

The Chair thanked the Commission Chair's for their work in scrutinising the Draft Budget and Capital Programme.

The Chair moved that the Committee note and endorse the Draft Capital Programme 2023/24. This was seconded by Councillor Gee, and upon being put to the vote, the motion was CARRIED.

AGREED:

1. That the Committee notes and endorses the Draft Capital Programme 2023/24.

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
- Report authors: Colin Sharpe
Nick Booth
- Author contact details: colin.sharpe@leicester.gov.uk
Nick.booth@leicester.gov.uk
- Report version number

1. Purpose of Report

1.1 This report proposes a strategy for managing the Council's borrowing and cash balances during 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 at the time of writing, and is not expected to increase 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, as long term interest rates rise further, this may potentially become affordable for PWLB and other debt.

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

4.6 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, although 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 4.0% in February, 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. <u>Commercial Investments</u>

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**

Nick Booth – 0116 454 4063
Colin Sharpe – 0116 454 4081

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

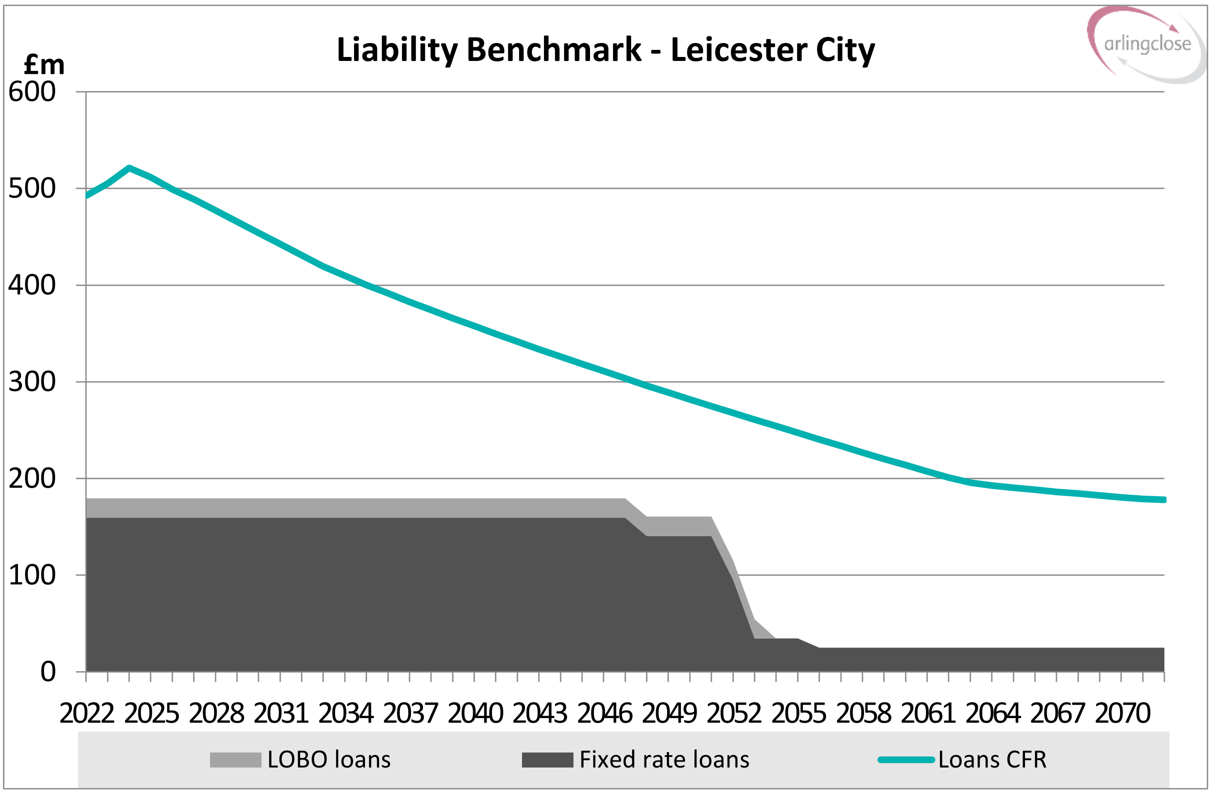
9. The central assumption of this treasury strategy is that the value of external borrowing will be as shown below (these figures include £12m debt managed on behalf of the fire authority).

	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. Liability Benchmark

The Treasury Management Strategy is required to include the Liability Benchmark. This compares the underlying need to borrow for capital purposes with the external loans profile over the next 50 years, for existing and approved future expenditure.

The underlying need to borrow for capital purposes is called the Capital Financing Requirement (CFR). The CFR will fall over time as loans are gradually repaid, except for historic Housing Revenue Account debt which does not have to be repaid. In practice of course, new spend to be financed by borrowing may be approved, which would lead to a slower reduction in the CFR, or even an increase.



After revenue and other balances have been taken into account, the liability benchmark (the underlying need to borrow for all purposes), is significantly less than the CFR (and technically below zero). This demonstrates that the Council does not have a need to borrow externally in the near future, even for any new capital expenditure financed by borrowing; and in fact, could repay some or all its external borrowing using treasury investments, if there was not such a large cost to make early repayments. The table also confirms that borrowing is well below the CFR, this being the maximum amount that can be borrowed except for very short term cashflow requirements.

In terms of risks, the Council is not exposed to rising interest rates increasing the cost of borrowing, as no new borrowing is expected to be required. However, there is an exposure to falling interest rates, which would reduce the return received on investments. The Council is also exposed to credit risk on its investments, that is the risk that loans or investments are not repaid.

11. 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.

12. MIFID 11 Professional Client Status.

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

13. Use of Derivatives

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

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

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

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

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

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

Appendix B

Treasury Investment Strategy 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.

Leicester
City Council

EXTRACT

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 9 FEBRUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Cassidy (Chair)
Councillor Gee (Vice Chair)

Councillor Batool
Councillor Pantling
Councillor Porter
Councillor Thalukdar
Councillor Westley

Also present:

Sir Peter Soulsby	City Mayor
Councillor Cutkelvin	Assistant City Mayor
Councillor Myers	Assistant City Mayor
Alretaj Al-Showali	Youth Representative
Dena Al-Showali	Youth Representative
Henry Zawadzki	Youth Representative

*** ** ***

78. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Halford, Joel, and Joshi.

79. DECLARATIONS OF INTEREST

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

Councillors Thalukdar and Westley make a declaration in relation to the report on the Housing Revenue Account Budget for 2023/24 that they had relatives who were Council tenants.

89. TREASURY MANAGEMENT STRATEGY 2023/24

The Chair noted that the Treasury Management Strategy 2023/24 and the Investment Strategy 2023/24 would be considered together.

The Chief Operating Officer submitted the Treasury Management Strategy 2023/24 and the Investment Strategy 2023/24.

The Director of Finance presented the reports, noting that the Treasury Management Strategy set out how the Council managed borrowing and cash balances. The Investment Strategy defined the Council's approach to making and holding investments.

In response to a Member question it was noted that the return rates for investments were varied depending on the length of the investment. Current return rates were under 5% but that would increase as more investments were put in. It was also noted that interest rates for the Public Works Loan Board varied daily, however Government rules made it too expensive to pay back outstanding loans early, this could change with increased interest rates.

The Chair noted that these Strategies could be used as an example to other Councils as to how these issues could be managed.

AGREED:

1. That the Committee notes the Treasury Management Strategy 2023/24 and the Investment Strategy 2023/24.

90. INVESTMENT STRATEGY 2023/24

This report was considered under item 89.

Council

Investment Strategy 2023/24

Overview Select Committee: 9th February 2023

Council: 22nd February 2023

Lead director: Amy Oliver

Director of Finance

Useful information:

- Report authors: Colin Sharpe
  Nick Booth
- Author contact details: colin.sharpe@leicester.gov.uk
  Nick.booth@leicester.gov.uk

1. **Purpose of Report**

1.1 This strategy defines the Council's approach to making and holding investments, other than those made for normal treasury management purposes. The latter are described in the annual treasury management strategy.

1.2 The strategy is essentially the same as Council approved last year, 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".

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EXTRACT

Leicester City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 9 FEBRUARY 2023 at 5:30 pm

P R E S E N T :

Councillor Cassidy (Chair)
Councillor Gee (Vice Chair)

Councillor Batool
Councillor Pantling
Councillor Porter
Councillor Thalukdar
Councillor Westley

Also present:

Sir Peter Soulsby	City Mayor
Councillor Cutkelvin	Assistant City Mayor
Councillor Myers	Assistant City Mayor
Alretaj Al-Showali	Youth Representative
Dena Al-Showali	Youth Representative
Henry Zawadzki	Youth Representative

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78. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Halford, Joel, and Joshi.

79. DECLARATIONS OF INTEREST

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

Councillors Thalukdar and Westley make a declaration in relation to the report on the Housing Revenue Account Budget for 2023/24 that they had relatives who were Council tenants.

89. TREASURY MANAGEMENT STRATEGY 2023/24

The Chair noted that the Treasury Management Strategy 2023/24 and the Investment Strategy 2023/24 would be considered together.

The Chief Operating Officer submitted the Treasury Management Strategy 2023/24 and the Investment Strategy 2023/24.

The Director of Finance presented the reports, noting that the Treasury Management Strategy set out how the Council managed borrowing and cash balances. The Investment Strategy defined the Council's approach to making and holding investments.

In response to a Member question it was noted that the return rates for investments were varied depending on the length of the investment. Current return rates were under 5% but that would increase as more investments were put in. It was also noted that interest rates for the Public Works Loan Board varied daily, however Government rules made it too expensive to pay back outstanding loans early, this could change with increased interest rates.

The Chair noted that these Strategies could be used as an example to other Councils as to how these issues could be managed.

AGREED:

1. That the Committee notes the Treasury Management Strategy 2023/24 and the Investment Strategy 2023/24.

90. INVESTMENT STRATEGY 2023/24

This report was considered under item 89.