

Leicester
City Council

**MEETING OF THE CULTURE AND NEIGHBOURHOODS SCRUTINY
COMMISSION**

DATE: MONDAY, 29 JANUARY 2024

TIME: 5:30 pm

**PLACE: Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street,
Leicester, LE1 1FZ**

Members of the Committee

Councillor Dawood (Chair)

Councillor Mohammed (Vice-Chair)

Councillors Agath, Aldred, Chauhan, Halford, Karavadra and Singh Johal

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

For Monitoring Officer

Officer contacts:

Katie Jordan (Governance Services Officer), Ed Brown (Senior Governance Services Officer)

Tel: 0116 4546350, e-mail: committees@leicester.gov.uk

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PUBLIC SESSION

AGENDA

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

3. MINUTES OF THE PREVIOUS MEETING

[Appendix A](#)

The minutes of The Culture and Neighbourhoods Scrutiny Commission held on 5 December 2023 are attached and Members are asked to confirm them as a correct record.

4. CHAIRS ANNOUNCEMENTS

5. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer to report on any questions, representations and statements of case received in accordance with Council procedures.

6. PETITIONS

7. DRAFT GENERAL REVENUE BUDGET

[Appendix B](#)

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

8. DRAFT CAPITAL PROGRAMME

[Appendix C](#)

The Director of Finance submits a report which details the Capital Programme for 2024/25.

9. WORK PROGRAMME

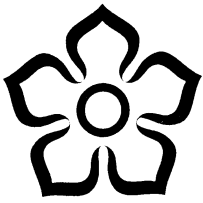
[Appendix D](#)

The current version of the Work Programme is attached.

Members of the Commission will be asked to forward any item they wish to consider on the work programme for the Commission to the Chair or the

Governance Services Officer.

10. ANY OTHER URGENT BUSINESS



Leicester
City Council

Minutes of the Meeting of the
CULTURE AND NEIGHBOURHOODS SCRUTINY COMMISSION

Held: TUESDAY, 5 DECEMBER 2023 at 5:30 pm

P R E S E N T:

Councillor Dawood - Chair

Councillor Chauhan
Councillor Singh Johal

Councillor Halford

* * * * *

33. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Agath, Karavadra, Mohammed and Cutkelvin.

34. DECLARATIONS OF INTEREST

There were no declarations of interest.

35. MINUTES OF THE PREVIOUS MEETING

AGREED:

That the minutes of the previous meeting held on 24 November 2023 be confirmed as a correct record.

36. CHAIRS ANNOUNCEMENTS

The Chair announced that invitations for Commission members to express interest in being part of the upcoming task group on Ward Community Funding had been sent out.

37. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

It was noted that none had been received.

38. PETITIONS

It was noted that none had been received.

39. ACTIVE LEICESTER STRATEGY ACTION PLAN

The Director of Delivery, Communications and Political Governance submitted a report that introduced the emerging Active Leicester Strategy action plan, following the launch of the strategy in July 2023.

Councillor Bonham as Vice-Chair of Health Scrutiny, the Director of Delivery, Communications and Political Governance, the Head of Sports and the Sport & Active Recreation Development Manager attended the meeting to assist with the discussion.

Key points included:

- The strategy was set against a backdrop of dwindling resources, but it was thought that small changes in the way organisations and internal colleagues operated could make a big difference without needing new resources.
- The strategy approach aimed to galvanise support and encourage collaborative working.
- It was aimed to utilise internal communications networks within areas such as housing, education, and neighbourhoods to better reach people within the city.
- There was a role for the corporate marketing team, such as in Parks with walking trails, maps, and the environmental scheme. It was aimed to spread this further within some of the communication networks.
- Colleagues in public health had developed a one off non-recurrent grant for community groups and others to initiate sport and physical activity projects in line with the strategy.
- There was an emerging opportunity with Sport England to initiate change in the locality and get systems working better.
- A Health and Wellbeing hub was being piloted at Aylestone Leisure Centre which would make use of existing resources, for example, training staff to be more empathetic with service users, making the centre more welcoming and encouraging citizens to make use of it.
- Also being looked at were products, programmes and marketing, it was hoped to pilot a six-month free offer for a small cohort of 20-30 people, colleagues in Housing would be worked with so that the right people were engaged with.
- A seminar was being developed with a keynote speaker to encourage collaborative working internally across services. It was hoped to link this in with the place-based project coming up with Sport England.
- Once internal support was galvanised, external partners would be engaged.

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

- The reasons behind the lower levels of inactivity in Western Ward and Knighton Ward were not known at this point although it was later clarified in the discussion that these wards were comparably better than others. It was noted that the definition of physical activity was wider than participation in organised sport, and as such it was possible that other forms of physical activity were being undertaken in these wards. Organisations were being encouraged to target less-active areas and various forms of physical activity were being encouraged as well as organised sport, such as active travel like cycling.
- The one off, non-recurrent funding would be an opportunity for existing sports groups to extend their activities into some of the priority groups that that were listed in the strategy or start something new for some of the priority groups. These opportunities would be publicly advertised and solicited through the Council network and levels of funding would be between £1.5k and £10k.
- Responding to a question about the sample size of the inactivity data in the city, it was clarified that it was taken from the Health and Wellbeing survey which was taken from around 2000 residents across the city. Later it was also brought to the attention of the Commission that there was also the annual 'Active Lives' survey from Sport England, which meant that up-to-date data was available each year.
- In response to a query about how to get people to be active when there was a deficit of local facilities, it was explained that there was an emphasis on encouraging behavioural change and promoting what was available. It was suggested that people could be pointed towards YouTube tutorials and encouraged to partake in other forms of physical activity such as walking. It was further suggested that work with Sport England was aimed to look at how to find local solutions with local groups and volunteers. It was understood that sustained behavioural change would take a long time, as it would take a long time to build confidence and trust. As such some of the work with Sport England was a longer-term commitment than had been seen previously.
- There was a ball-court improvement programme and ball-courts would be invested in across the city.
- It was acknowledged that other agencies in the city such as Leicester Riders were looking to extend their reach and were looking for ways that they could take responsibility for their assets in order for them to be useful for activity. This would be encouraged; however, it was acknowledged that the voluntary sports sector that provided opportunities throughout the city should not be forgotten about.
- In response to a comment about the lack of resources that grassroots

sports clubs had in comparison to large professional clubs, the scheme would look to encourage clubs to work together, and dialogue and collaboration would be encouraged.

- The hub at Aylestone Leisure Centre would be expanded to other hubs across the city if the pilot was successful. What worked in the pilot would be taken on board.
- Levels of inactivity in Leicester had not changed much in recent years. There were signs of improvement prior to the Covid-19 pandemic, however the pandemic had led to increased inactivity. Leicester was worse than the regional and national averages.
- In terms of definitions of inactivity, 'inactive' meant less than 30 minutes of physical activity per day and 'moderately active' meant 30-60 minutes of physical activity per day. 'very active' was 150 minutes a week. This in mind, a 35% rate of inactivity was high.
- A person who could get resources and creative thinking out of departments would be desirable as the keynote speaker at the seminar.
- Walking and jogging trails were available on the Council website ([Fitness on parks \(leicester.gov.uk\)](https://www.leicester.gov.uk/fitness-on-parks)), people could do these at their own speed. Additionally, there were information boards in parks showing routes.
- The Chair made the recommendation that should Sport England funding become available, grassroots/community sports clubs to be considered for priority over larger professional clubs with their own funding streams.
- The Chair made a further recommendation that the Active Leicester strategy action plan be brought back to the Commission following the findings of the seminar.

AGREED:

- 1) That the report be NOTED.
- 2) That the Active Leicester strategy action plan be brought back to the Commission following the findings of the seminar.
- 3) That should Sport England funding become available, grassroots/community sports clubs to be considered for priority over larger professional clubs with their own funding streams.

40. TREE STRATEGY

The Director of Neighbourhood and Environmental Services submitted a report to update the commission on the review of Leicester's Tree Strategy for the period 2022/23.

The Deputy City Mayor - Climate, Economy and Culture the Director of Neighbourhood and Environmental Services, Head of Parks & Open Spaces and the Trees & Woodlands Manager attended remotely the meeting to assist with the discussion.

It was noted that this was year four of the five-year tree strategy. There were 22 listed actions covering five key objectives. The strategy would be refreshed from April 2024.

The slides as included in the agenda pack were presented as well as an additional slide showing a map of projects by Ward. Wards with less planting would be considered for more planting.

It was further noted that Leicester was a regional and national exemplar. It had a diverse green canopy that included a number of rare trees and had increased the number of trees across the city over the years.

It was recognised that there was an issue of maintenance and that trees could create problems for residents. In these instances, the team worked hard to address these issues as they arose, however, it was necessary for the Council to work within its own policies.

The Deputy City Mayor - Climate, Economy and Culture noted that what had been achieved through the strategy was a testament to the team.

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

- With regard to the potential damage and disruption that trees could cause, it was a question of getting the right tree in the right place. Some older trees were not in areas which would be replanted, such as when they were close to paths, highways and buildings. In such cases, the team would look to replant further away from paths, highways and buildings. Highways and street inspectors were worked with if trees became a hazard. Where trees were a nuisance, action would be taken where possible. Where there was fast regrowth on pollarded trees, the cycles may need to be reduced, however this may lead to other issues dropping off the schedule due to the lack of resource.
- Work on each site was determined over experience, species and target area, getting a full, detailed inspection on a 3-5/6-year cycle depending on the circumstances. In the interim period trees were looked at as and when issues arose.
- Apprenticeships had been undertaken in the past through a kick-start scheme for 16–24-year-olds. At this point the team had a full complement of staff, however if some staff were lost then apprenticeships would be considered. There were currently 10 apprentices working in Parks on a rolling programme, and a new apprentice had been employed in cemeteries. Apprenticeships were slightly more complicated in Trees and Woodlands due to the number of qualifications involved. However, groundwork could be done to send people on different courses.
- There was no ideal number for the density of trees, it was necessary to balance working with Planners and Highways.

- A draft paper on Ash Dieback was going to Lead Member Briefing in January. The issue had been underreported. 15% of trees in the city were Ash, all were infected, and it was thought that 80% of Ash trees would be lost as a result of this. The only ones that would not succumb were those with resistance. An effective treatment was not yet available. This municipal year around 200 trees would be felled depending on the progression of the epidemic. The felling of trees would gradually build year on year. There had been a lot of communications with the media and the paper in January would have an update and more statistics. There would be a comprehensive replacement scheme, but replanting could not be undertaken until the felling was completed over the next five to ten years. The priority was to manage danger. This was a significant issue and as yet there had been no specific government support announced.
- Community groups had been engaged and people were kept informed of developments.

AGREED:

That the report be NOTED.

41. WORK PROGRAMME

The work programme was noted.

42. ANY OTHER URGENT BUSINESS

There being no further items of urgent business, the meeting ended at 18:52.

Revenue Budget 2024/25

Decision to be taken by: Council

Date of meeting: 21 February 2024

Lead director: Amy Oliver, Director of Finance



City Mayor

Useful information

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

1. **Purpose**

- 1.1 The purpose of this report is to present the City Mayor's proposed budget for 2024/25 and to describe the future financial outlook.
- 1.2 The proposed budget is described in this report, subject to any amendments the City Mayor may wish to recommend when he makes a firm proposal to the Council.

2. **Summary**

- 2.1 The medium term financial outlook is the most severe we have ever known. Like many authorities, we face the real probability of not being able to balance our budget in 2025/26, necessitating a formal report under section 114 of the Local Government Finance Act 1988 (indeed, some authorities appear to be in that position already). In previous years, we have used a "managed reserves policy", by which specific reserves have been set aside to support budgets and buy us time to make cuts. Without new money from the Government, the proposed budget will exhaust these reserves. The Council also holds a £15m emergency reserves balance, some of which looks like it will need to be spent in 2024/25.
- 2.2 The background to this severe outlook is:
 - (a) a "decade of austerity" between 2010 and 2020 in which services other than social care had to be reduced by 50% in real terms. This has substantially reduced the scope to make further cuts;
 - (b) the covid-19 pandemic where we set "stop gap" budgets whilst we dealt with the immediate emergency. Budgets in 2021/22 to 2022/23 were supported by managed reserves;
 - (c) recent cost pressures, shared by authorities across the country. These include pressures on the costs of children looked after and support for homeless households, as well as the long-standing pressures in adult social care and the hike in inflation. The budget for 2023/24 was supported by a further £34m of managed reserves;
 - (d) a new round of austerity is expected, which will lead to further cuts to local authority funding from 2025/26. Meanwhile cost pressures have continued to mount since we set the 2023/24 budget, most notably in children's services and support for the homeless.
- 2.3 As yet, we only have national information, and have had to prepare a draft budget without the benefit of our own local funding settlement. This has required us to

make assumptions based on a share of national amounts. The report assumes that no new Government funding will be forthcoming.

- 2.4 The “fair funding” review of local government finance has been continuously delayed, meaning that most of the data on which our funding is based is now at least 10 years old (and disregards, for instance, increases in the city’s population).
- 2.5 The Government’s chosen measure of a council’s ability to spend is “core spending power”. This core spending power consists of a number of funding sources with only a small element being provided by Government Grant. This budget implies a core spending power increase of £23.8m being 6.9%. The Government may point to this as a reason why local authorities have a received an above inflation increase, but as this report indicates it does not come close enough to fund our forecast pressures.
- 2.6 Additionally, core spending power is predominantly raised locally and not provided by central government. In 2023/24 only 25% of core spending power came from government grant
- 2.7 The budget reflects savings of £10m which have been achieved during 2023/24 and approved separately. This, however, is dwarfed by the £40m of unavoidable service growth we have had to build in, and which is further explained in section 6 below. The City Mayor has made national representations about the extremely serious effect current government funding policy will have on the entire sector, but so far there has been no indication that this will be addressed.
- 2.8 We will continue to make further savings. However, it is clear that the budget needs a root and branch review if we are to have any hope of balancing the budget for 2025/26. Inevitably, this means a lot of discretionary services will be under threat. Such a review will commence in January. We have also commissioned a peer review which will be carried out early in 2024 by the Local Government Association. This will either help us identify additional savings, or provide evidence of the impossibility of the challenge.
- 2.9 The budget proposes a tax increase of just under 5%, which is the maximum we believe we will be allowed to set without a referendum.
- 2.10 The medium term outlook is attached as Appendix Four and shows the escalating scale of the financial pressures facing the council.

3. **Recommendations**

- 3.1 At its meeting in February, the Council will be asked to:
 - (a) approve the budget strategy described in this report;
 - (b) approve a formal budget resolution, which sets the council tax level for 2024/25;
 - (c) approve the budget ceilings for each service, drafts of which are shown at Appendix One to this report;

- (d) approve the scheme of virement described in Appendix Two to this report;
- (e) note my view on the adequacy of reserves and the estimates used in preparing the budget;
- (f) note the equality implications arising from the proposed tax increase, as described in paragraph 11 and Appendix Three;
- (g) note the medium term financial strategy and forecasts presented at Appendix Four, and the significant financial challenges ahead;
- (h) note that the Executive is not recommending any changes to the Council Tax Support Scheme in 2024/25, but intends to consult on a new “banded scheme” in time for the 2025/26 budget (section 8). The making of savings in the cost of the scheme will be explored at the same time.
- (i) subject to consultation, approve any changes in Council Tax premiums that will be described in a separate appendix.

4. **Budget Overview**

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

	2024/25 £m
Service budget ceilings	375.5
Corporate Budgets	
Inflation provisions and contingencies	25.2
Capital Financing	2.7
Miscellaneous Corporate Budgets	2.0
Demographic pressures provision	8.0
Total forecast spending	413.4
Rates retention scheme:	
Business rates income	76.4
Top-up payment	62.0
Revenue Support Grant	34.7
Other resources:	
Council Tax	153.1
Collection Fund surplus	0.6
Social Care grants	32.1
Other grants	2.0
Total forecast resources	260.9
Underlying gap in resources	52.5
Use of Managed Reserves	43.6
Use of General Fund Emergency Balance	8.9
Gap in resources	NIL

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

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

- 5.1 By law, the Council's role in budget setting is to determine:
- (a) The level of council tax;
 - (b) The limits on the amount the City Mayor is entitled to spend on any service ("budget ceilings") - proposed budget ceilings are shown at Appendix One;
- 5.2 In line with Finance Procedure Rules, Council must also approve the scheme of virement that controls subsequent changes to these ceilings. The proposed scheme is shown at Appendix Two.
- 5.3 The draft budget is based on a proposed Band D tax for 2024/25 of £1,924.63, an increase of just under 5% compared to 2023/24. This is believed to be the maximum which will be permitted without a referendum.
- 5.4 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part – 84% in 2023/24). Separate taxes are raised by the Police and Crime Commissioner and the Combined Fire Authority. These are added to the Council's tax, to constitute the total tax charged.
- 5.5 The actual amounts people will be paying, however, depend upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. Almost 80% of properties in the city are in band A or band B, so the tax will be lower than the Band D figure quoted above. The Council also has schemes for mitigating hardship.
- 5.6 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2024. The formal resolution will set out the precepts issued for 2024/25, together with the total tax payable in the city.

6. **Departmental Budget Ceilings**

- 6.1 Budget ceilings have been prepared for each service, calculated as follows:
- (a) The starting point is last year's budget, subject to any changes made since then which are permitted by the constitution (e.g. virement);
 - (b) An allowance is made for non-pay inflation on a restricted number of budgets. Our general rule is that no allowance is made, and departments are expected to manage with the same cash sum that they had in the previous year. Exceptions are made for the budgets for independent sector adult social care (2%) and foster care (2%) but as these areas of service are receiving growth funding, an inflation allowance is merely academic (we pay from one pot rather than another). Budgets for the waste PFI contract have been increased by RPI, in line with contract terms. A sum of £5m has been allocated to reset budgets based on current energy prices.
 - (c) Unavoidable growth has been built into the budget, as described in the sections below;

- (d) As discussed in the summary, action is being taken to reduce budgeted spend, and where decisions have already been taken budget ceilings have been reduced (this process will continue up to approval of the final budget).
- 6.2 The proposed budget ceilings are set out in Appendix One.
- 6.3 The local government pay award for 2023/24 was agreed in November 2023. Modelling of the cost suggests it will be an average 6.2% across the Council's (non-schools) employees. For this draft budget, the amount is held in a central provision, but will be added to service budget lines for the final budget. A further central provision is held to fund the 2024/25 pay award, forecast at 5%. Additionally, reflecting the extreme volatility of some budgets, a further £8m has been set aside in a central provision which will only be released if needed.
- 6.4 The role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. Notwithstanding the way the budget has been constructed, the law does not enable the Council to determine how the City Mayor provides services within these envelopes: this is within his discretion.

Adult Social Care

- 6.5 Adult social care services nationally have been facing severe cost pressures for some years, and these are expected to continue.
- 6.6 The demand for service looks to continue accelerating in future years, as a consequence of increases in the level of need of the average care recipient and pressure on providers due to National Living Wage increases, as well as ongoing rising numbers of adults requiring care. For 2024/25 the budget has been increased by £13.7m as a result of these impacts.
- 6.7 The government has generally responded to growth pressures on an ad-hoc basis, making one-off resources available year by year. Indicative (national) funding totals for 2023/24 and 2024/25 were announced in autumn 2022, and our estimate of our share is included in this draft budget. We have no indication of any further increases in funding.
- 6.8 The Autumn Statement is on 22nd November 2023, and this report will be further updated with any announced additional funding for pressures in adult social care.
- 6.9 The proposed budget includes growth of £13.7m in 2024/25 (net of standard inflation of 2%) for the increased costs of packages of support, estimated to rise to £30.5m by 2025/26. The 2024/25 growth takes account of the continuation of the government's discharge and workforce improvement grants totalling £4.6m. However, it is not expected that these grants will increase in 2025/26 hence the larger cost increase in 2025/26.
- 6.10 In year increases in package costs for people with existing packages of care has been a substantial ongoing budget pressure. Significant work is now being undertaken to reduce future pressures in this area. This work includes reviewing existing working practices and identifying best practice and embedding that across all social work teams together with increasing alternative non-adult social care provision to support increased needs. This includes change and

improvement to support designed to reduce people's need for formal care, social work assessment, and commissioning practice. The budget assumes that this work will have a positive impact, but this will be challenging and clearly there remains a risk of exceeding the budget.

Education and Children's Services

- 6.11 In common with authorities across the country, increased demand for children's social care services has created substantial budget pressure for many years.
- 6.12 A forecast of placement costs in 2024/25 and 2025/26 has been made, and £17.2m added to the budget for 2024/25. The forecast builds on a budget that is already under pressure (it is expected to overspend in 2023/24). It assumes that non-UASC (unaccompanied asylum seeking children) entrants into the care system continue at the same level as in 2023/24, and that there is further growth in UASC children becoming looked after until the government target of 0.1% of the city 0-17 population is reached. 2023/24 has been notable for the unusually high average placement costs of new entrants. This is as a result of some particular placements requiring high levels of support, together with price pressure from providers.
- 6.13 Work is continuing to take place to reduce placement costs:
- (a) Regular review of long-term, emergency and high cost placements;
 - (b) Substantial work began in August 2023 with the consultancy firm Impower who were commissioned to undertake an analysis of placements and the match between costs and assessed needs. This helpful analysis of a large cohort of children in higher cost placements (182, 20% of the overall population), has already identified several cohorts of placements that will be the subject of targeted activity to address mismatches in cost versus level of need to generate significant savings. This work will take place in 2023/24 and 2024/25.
 - (c) An extensive review of our internal resources (fostering and children's homes) to ensure that the capacity and resilience of these are maximised.
 - (d) Business cases will be put forward for capital investment to expand our internal children's home resources over the next 5 years.
 - (e) The need to increase the number of foster carers is clear and work is ongoing to make the council website more accessible to attract more enquiries. The training and support levels will also be reviewed to avoid placement breakdown.
 - (f) A review of council resources deployed to prevent entry into care will also be completed with a view to refocusing/retargeting resources to have

greater impact for those children and young people at greater risk of becoming looked after.

- (g) A strengthening of the role of commissioning in sourcing placements will also take place and a tighter focus on contract management and capping cost inflation will be deployed to limit the impact of demands by providers for uplifts.
- (h) Work with the ICB to agree joint funding solutions for complex, high-need children;

- 6.14 The budget assumes a lower average placement cost for new entrants in 2024/25. In part this is because of the work outlined above; but also there is a variation in the percentages of different placement types (and therefore average cost) from year to year and therefore it is more appropriate to look at average placement percentages over a longer period to determine future entrance costs to smooth out this variation. There is of course a risk with this approach if a particular variation is a new ongoing trend, but placement cost will continue to be monitored through routine budgetary control reports.
- 6.15 A further £2.5m has been added to the department's budget. £0.5m of this relates to increasing pressure on legal and translation budgets for children's social care. Legal has had significant difficulties in recruiting permanent staff and has had to rely on locums to meet demand which is more costly.
- 6.16 £1.4m of the £2.5m is to address the continued pressure on home to school transport budgets mainly for SEND children but also for children looked after. These pressures have been highlighted in the 2023/24 revenue monitoring report which are a result of increasing numbers of pupils with education, health and care plans (EHCPs) requiring transport support and continued price pressure from taxi firms.
- 6.17 The remaining £0.6m of the £2.5m addresses equally a rising demand for respite payments for disabled children together with a substantial loss of previously traded casework with schools by the Education Welfare service. The DfE have made this work a statutory duty for local authorities and have decided, inexplicably, that the change does not meet the threshold for new burdens funding.
- 6.18 In addition to the General Fund budget, Dedicated Schools Grant (High Needs Block, HNB) budgets for children and young people with special educational needs and disabilities continue to be under severe pressure. In common with most authorities, the Council has a deficit on its DSG reserve estimated to stand at £11.7m by the end of 23/24 resulting from unavoidable overspends. This is a national issue and in fact, most authorities are in a significantly worse position than Leicester.
- 6.19 In 2020, the government introduced a statutory override for a period of 3 years to the end of March 2023 which meant that local authorities' DSG deficits could not

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

- 6.20 In keeping with other local authorities we have prepared a draft deficit recovery plan, which all authorities with deficits are required to do. We are currently still in discussion with the DfE regarding the details of the plan, however the DfE have confirmed that it is not currently their intention to put Leicester into one of their two intervention programmes – the 'delivering better value' programme or the 'safety valve' programme. Leicester is however part of the 'SEND and alternative provision change programme partnership' with LLR and the DfE which begins late 2023. This DfE funded programme is intended to allow local authorities to 'road test' the ideas and approaches outlined in the DfE's SEND improvement plan to bring high needs costs under control alongside wider SEND system reform.
- 6.21 The main issue for Leicester is the step change in demand for EHCPs post pandemic. Numbers of plans agreed have doubled since the years immediately prior to the pandemic. We need a system wide change to address this which, whilst still recognising the child's needs, means that those needs can be addressed to a much greater extent within existing resources within mainstream settings. This will require a culture change and the adoption of the best practice for inclusivity across all schools.

City Development and Neighbourhoods

- 6.22 Homelessness is currently a significant pressure in 2023/24, as a consequence of insufficient homes being available for rent at or below the level of the local housing allowance, meaning more families cannot afford a roof over their heads. This will be compounded by the Government's plans to fast-track the cases of asylum seekers currently being housed in hotels in the city.
- 6.23 Growth of £5m has been added to the budget to meet costs of accommodation for increasing numbers of families presenting as homeless. This remains a high risk area – if demand continues to increase at current rates, further growth will be required. There is a plan to address the needs of homeless families through the Housing Revenue Account, which will provide partial relief.
- 6.24 Other areas of the department's budget are relatively predictable (compared with social care and homelessness services), and the department is expected to be able to live within its resources.

Health and Wellbeing

- 6.25 The division, together with a number of services provided by other departments, is paid for from the public health grant. This grant is ring-fenced for defined public health purposes wherever they are provided in the Council. General Fund monies have also been spent on public health services, both before and after 2013/14 when the function transferred from the NHS.
- 6.26 The future of public health grant is unclear. It is not known whether it will remain as a separate grant when local government funding reforms are eventually introduced: previous proposals have suggested it will be included in general funding arrangements.
- 6.27 The department is able to live within its resources in 2024/25, and no budget growth is proposed.

Corporate Resources Department

- 6.28 The department primarily provides internal support services together with leading on good corporate governance, but also some public facing services such as benefits, collection of council tax, customer contact and sports services. The department has made considerable savings in recent years in order to contribute to the Council's overall savings targets. It has nonetheless achieved a balanced budget each year.
- 6.29 Whilst the budget is broadly balanced, a number of factors may lead to budget pressures in the department, most notably in respect of the cost of living crisis affecting demand for Revenues & Benefits and Customer Services; and pressures in Legal Services.

7. Corporately held Budgets and Provisions

- 7.1 In addition to the services' budget ceilings, some budgets are held corporately. These are described below.
- 7.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending, less interest received on balances held by the council. The net cost has reduced recently due to increasing interest rates leading to better returns on balances (while the majority of our borrowing is on fixed rates and is not affected by interest rate variations in the short term). As we spend our reserves, however, interest on balances will fall. As shown in the Treasury Management Strategy (elsewhere on your agenda) it is likely we will need to borrow in 2024/25, and these costs are reflected in the budget.
- 7.3 **Miscellaneous central budgets** include external audit fees, pension costs of some former staff, levy payments to the Environment Agency, bank charges, general insurance costs, money set aside to assist council tax payers suffering hardship and other sums it is not appropriate to include in service budgets. These budgets are partially offset by the effect of recharges from the general fund into other statutory accounts of the Council.

8. Resources

- 8.1 At the time of writing, the local government finance settlement for 2024/25 has not been published. Current estimates of government funding we will receive are therefore based on information included in the government's fiscal statements, and are liable to change.
- 8.2 The majority of the council's core funding comes from business rates; government grant funding; and council tax. Service-specific sources of funding, such as fees & charges and specific grants, are credited to the relevant budget ceilings, and are part of departmental budgets.

Business rates and core grant funding

- 8.3 Local government retains 50% of business rates collected locally, with the balance being paid to central government. In recognition of the fact that different authorities' ability to raise rates do not correspond to needs, there are additional elements of the business rates retention scheme: a top-up to local business rates, paid to authorities with lower taxbases, and Revenue Support Grant (RSG).
- 8.4 Government decisions in recent years have reduced the amount of rates collected from businesses, by limiting annual increases in the multiplier used to calculate rates and by introducing reliefs for various classes of business. The government's practice is to compensate authorities for lost income due to changes to the scheme. So many changes have been made in recent years that by 2023/24 compensation made up around a third of the "rates" income received by the Council. The complexity of these changes, and the fact that a single ratepayer may be affected by several overlapping changes, makes it difficult to accurately estimate rates income; the estimates in this draft report are the best we can make at present. In practice, we believe that the system of business rates is becoming unsustainable in its current form.
- 8.5 The figures in the draft budget assume no significant growth or decline in "rates" from the current position, apart from inflationary increases. In effect, we are assuming we will get £ for £ compensation for all changes the Government is making which affect payable rates (which is likely). These figures will be revised for the final budget to be approved in February.
- 8.6 The majority of other funding streams in previous budgets, including the New Homes Bonus and Services Grant, have been sharply cut in recent years.

Council tax

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

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

Other grants

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

Collection Fund surplus / deficit

- 8.11 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true.
- 8.12 The Council has an estimated **council tax collection fund deficit** of £1.0m, after allowing for shares to be paid by the police and fire authorities. This largely relates to numbers of exempt properties being higher than expected when the budget was set.
- 8.13 The Council has an estimated **business rates collection fund surplus** of £1.6m. Because of changes to reliefs in recent years that were funded by government grants, the actual collection fund position is distorted and various technical accounting adjustments (that will balance out over the years) are required.

9. **Managed Reserves Strategy**

- 9.1 Since 2013, the Council has employed a managed reserves strategy, contributing money to reserves when savings are realised and drawing down reserves when needed. This policy has bought time to more fully consider how to make the recurrent cuts which have been necessary in nearly every budget year.
- 9.2 As at April 2023, resources available for the strategy totalled £65.8m. A significant proportion of this will be required to balance the budget in the current financial year. A review of one-off resources available has identified £8.5m that can be released from the capital reserve to support the revenue budget.
- 9.3 Unless further savings are found, or the Government provides more money, the draft budget will require £52.0m of support from reserves in 2024/25, which exceeds the amount available, and will require the use of the General Fund emergency balance. This also leaves no resources to offset pressures in 2025/26, and indicates that a section 114 report will become a probability:

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

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

10. **Earmarked Reserves**

- 10.1 In addition to our general reserves, the Council also holds earmarked reserves which are set aside for specific purposes. These include ringfenced funds which are held by the Council but for which we have obligations to other partners or organisations; departmental reserves, which are held for specific services; and corporate reserves, which are held for purposes applicable to the organisation as a whole.
- 10.2 A review of earmarked reserves is being finalised to identify any that can be released to minimise the call on the General Fund Emergency Balance for 2024/25. The final report will include a summary of earmarked reserves currently held, as well as their planned usage.
- 10.3 The planned use of earmarked reserves will be monitored through the regular revenue budget monitoring process, and reported to members throughout each financial year.

11. **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 2024/25 is £1,924.63, an increase of just below 5% compared to 2023/24. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This includes the potential impacts of alternative options.
- 11.7 A number of risks to the budget are addressed within this report (section 12 below). If these risks are not mitigated effectively, there could be a disproportionate impact on people with particular protected characteristics and therefore ongoing consideration of the risks and any potential disproportionate equalities impacts, as well as mitigations to address disproportionate impacts for those with particular protected characteristics, is required.

12. **Risk Assessment and Estimates**

- 12.1 Best practice requires me to identify any risks associated with the budget, and Section 25 of the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.
- 12.2 This requires a judgement to be made, which is now hard given the volatility of some elements of the budget and the depletion of our reserves. In practice, the budget is replete with risk.
- 12.3 The most significant issue in developing the 2024/25 budget has been ongoing cost pressures in demand-led service areas, particularly social care and support for homeless households. These have risen very steeply during 2023/24 and there is no guarantee this will not happen again.
- 12.4 Setting the final budget will also depend on the funding settlement from central government, expected in December, current indications are that there is no additional grant funding for local authorities.
- 12.5 The budget seeks to manage these risks as follows:
- (a) £6m of emergency balances remain;
 - (b) A provision for demographic pressures of £8m per year has been included in the budget;
 - (c) In theory, the Council can also draw on the capital finance reserve. This is essentially a capital resource that has been “switched” with revenue (behind the scenes) over many years, in part to provide flexibility for times such as these. Using it would, however, force us to cut the approved capital programme or borrow, leading to future revenue cost, so it must be seen very much as a last resort.
- 12.6 Subject to the above comments, I believe our reserves can just about be considered adequate and that the estimates made in preparing the budget are sufficiently robust to allow the budget to be approved. If demand pressures again rise in the way that they have in 2023/24, I will need to consider whether section 114 of the Local Government Finance Act, 1988, requires me to write a formal report on the basis that our spending is likely to exceed our resources. In practice, this is more likely to be a consideration in respect of the 2025/26 budget.
- 12.7 Looking further ahead, we need to identify and approve options for further savings (and to reduce growth) so that we can ensure we are financially sustainable beyond 2024/25. Work to identify options is taking place, but we will need to delve more deeply than we have ever had to before.

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

13.1 **Financial Implications**

This report is exclusively concerned with financial issues.

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

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Budget Ceilings (provisional)

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

Budget Ceilings (provisional)

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

Budget Ceilings (provisional)

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

Scheme of Virement

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

Budget Ceilings

2. Directors are authorised to vire sums within budget ceilings without limit, providing such virement does not give rise to a change of Council policy.
3. Directors are authorised to vire money between any two budget ceilings within their departmental budgets, provided such virement does not give rise to a change of Council policy. The maximum amount by which any budget ceiling can be increased or reduced during the course of a year is £500,000. This money can be vired on a one-off or permanent basis.
4. Directors are responsible, in consultation with the appropriate Assistant Mayor if necessary, for determining whether a proposed virement would give rise to a change of Council policy.
5. Movement of money between budget ceilings is not virement to the extent that it reflects changes in management responsibility for the delivery of services.
6. The City Mayor is authorised to increase or reduce any budget ceiling. The maximum amount by which any budget ceiling can be increased during the course of a year is £5m. Increases or reductions can be carried out on a one-off or permanent basis.
7. The Director of Finance may vire money between budget ceilings where such movements represent changes in accounting policy, or other changes which do not affect the amounts available for service provision.
8. Nothing above requires the City Mayor or any director to spend up to the budget ceiling for any service.

Corporate Budgets

9. The following authorities are granted in respect of corporate budgets:
 - (a) the Director of Finance may incur costs for which there is provision in miscellaneous corporate budgets, except that any policy decision requires the approval of the City Mayor;
 - (b) the Director of Finance may allocate the provision for pay awards;
 - (c) The City Mayor may determine how the demographic pressures contingency can be applied.

Earmarked Reserves

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

11. Directors may add sums to an earmarked reserve, from:
 - (a) a budget ceiling, if the purposes of the reserve are within the scope of the service budget;
 - (b) year-end budget underspends, subject to the approval of the City Mayor.
12. Directors may spend earmarked reserves on the purpose for which they have been created, but must obtain the agreement of the Director of Finance before the spend is committed.
13. When an earmarked reserve is dissolved, the City Mayor shall determine the use of any remaining balance.

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Equality Impact Assessment

1. Purpose

- 1.1 This appendix presents the equalities impact of a proposed 4.99% council tax increase. This includes a precept of 2% for Adult Social Care, as permitted by the Government without requiring a referendum.
- 1.2 The alternative option for comparison is a freeze on council tax at 2023/24 levels. It would of course be possible to set a council tax increase between these two levels, or indeed to *reduce* the Band D tax.

2. Who is affected by the proposal?

- 2.1 As at October 2023, there were 132,019 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).
- 2.2 All non-exempt working age households in Leicester are required to contribute towards their council tax bill. Our current council tax support scheme (CTSS) requires working age households to pay at least 20% of their council tax bill and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience.
- 2.3 Council tax support for pensioner households follows different rules. Low-income pensioners are eligible for up to 100% relief through the CTSS scheme.

3. How are they affected?

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

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

- 3.2 In most cases, the change in council tax (around £1.37 per week for a band B property with no discounts; and just 27p per week if eligible for the full 80% reduction under the CTSS) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.
- 3.3 Households at all levels of income have seen their real-terms income decline due to cost of living increases, and wages that have failed to keep up with inflation. These pressures are not limited to any protected group; however, there is evidence that low-income families spend a greater proportion of their income on food and fuel (where price rises have been highest), and are therefore more affected by current price increases.
- 3.4 At the time of writing, it is not clear what level of inflation uplift will be applied to benefits . [NB council and housing association tenants are not affected by this as their rent support is calculated differently and their full rent can be compensated from benefits].
4. **Alternative options**
- 4.1 The realistic alternative to a 5% council tax increase would be a lower (or no) increase. It should be noted that the proposed increase is below inflation, and therefore represents a real-terms cut in council tax payable and therefore our income. A reduced tax increase would represent a permanent diminution of our income unless we hold a council tax referendum in a future year. In my view, such a referendum is unlikely to support a higher tax rise. It would also require a greater use of reserves and/or more cuts to services in 2024/25.
- 4.2 The budget situation is already extremely difficult, and it seems inevitable that further cuts will have severe effects on front-line services. It is not possible to say precisely where these future cuts would fall; however, certain protected groups (e.g. older people; families with children; and people with disabilities) could face disproportionate impacts from reductions to services.
5. **Mitigating actions**
- 5.1 The Council has a range of mitigating actions for residents. These include: funding through Discretionary Housing Payments, Council Tax Discretionary Relief and Community Support Grant awards; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the network of food banks in the city; through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles); and through support to social welfare advice services. The “BetterOff Leicester” online tool includes a calculator to help residents to ensure they are receiving all relevant benefits.
- 5.2 Mitigating actions will be kept under review and updated for the final report to Council in February.

6. **What protected characteristics are affected?**

- 6.1 The table below describes how each protected characteristic is likely to be affected by the proposed council tax increase. The table sets out anticipated impacts, along with mitigating actions available to reduce negative impacts.
- 6.2 Some protected characteristics are not, as far as we can tell, disproportionately affected (as will be seen from the table) because there is no evidence to suggest they are affected differently from the population at large. They may, of course, be disadvantaged if they also have other protected characteristics that are likely to be affected, as indicated in the following analysis of impact based on protected characteristic.

7. **Armed Forces Covenant Duty**

- 7.1 The Covenant Duty is a legal obligation on certain public bodies to 'have due regard' to the principles of the Covenant and requires decisions about the development and delivery of certain services to be made with conscious consideration of the needs of the Armed Forces community.
- 7.2 We have considered the duty and have not identified any direct impacts on armed forces or their families; but will continue to monitor for specific proposals.

Medium Term Financial Outlook 2024/25 – 2026/27

[to follow for final report]

DRAFT

Earmarked Reserves

[to follow for final report]

DRAFT

Council Tax Premiums

[to follow for final report]

DRAFT

DRAFT Capital Programme 2024/25

Decision to be taken by: Council

Date of meeting: 21 February 2024

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Kirsty Cowell
- Author contact details: Kirsty.Cowell@leicester.gov.uk
- Report version number: 1.0

1. Summary

- 1.1 The purpose of this report is to ask the Council to approve a capital programme for 2024/25.
- 1.2 Capital expenditure is incurred on works of lasting benefit and is principally paid for by grant, tenants' rents, and the proceeds of asset sales (capital receipts). Money can also be borrowed for capital purposes, but the scope for this is limited as borrowing affects the revenue budget.
- 1.3 For the past four years the Council has set a one year capital programme, due to uncertainty over future resources. This uncertainty is greater than it has ever been. This is on account of the following, with the revenue budget being by far the most significant:
 - The revenue budget outlook, which requires significant savings
 - Volatility and inflationary pressures in the construction industry
 - The Council's technical capacity to support a large programme

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

Schemes already approved and in the current programme will continue.

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

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

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

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

	<u>£m</u>
General Fund	33.1
Housing Revenue Account	25.9
Total	<u>59.0</u>

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

- 1.8 The capital programme is split into two parts:-

- (a) Schemes which are “**immediate starts**”, being schemes which directors have authority to commence once the council has approved the programme. These are fully described in this report;
- (b) Schemes which are “**policy provisions**”, where the purpose of the funding is described but money will not be released until specific spending proposals have been approved by the Executive.

1.9 Immediate starts have been split into three categories:-

- (a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes will be monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);
- (b) **Work Programmes** – these consist of minor works or similar schemes where there is an allocation of money to be spent in a particular year;
- (c) **Provisions** – these are sums of money set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.

2. Recommendations

2.1 The Council is asked to:-

- (a) Approve the capital programme described in this report and summarised at Appendices Two to Five, subject to any amendments proposed by the City Mayor;
- (b) For those schemes designated immediate starts, delegate authority to the lead director to commit expenditure, subject to the normal requirements of contract procedure rules, rules concerning land acquisition and finance procedure rules;
- (c) Delegate authority to the City Mayor to determine a plan of spending for each policy provision, and to commit expenditure up to the maximum available;
- (d) For the purposes of finance procedure rules:
 - Determine that service resources shall consist of service revenue contributions; HRA revenue contributions; and government grants/third party contributions ringfenced for specific purposes (but see below for LLEP investment programmes);
 - Designate the operational estate & children's capital maintenance programme, highways maintenance programme and transport improvement programme as programme areas, within which the director can reallocate resources to meet operational requirements.

- (e) As in previous years, delegate to the City Mayor:
- Authority to increase any scheme in the programme, or add a new scheme to the programme, subject to a maximum of £10m corporate resources in each instance;
 - Authority to reduce or delete any capital scheme, subject to a maximum reduction of 20% of scheme value for “immediate starts”; and
 - Authority to transfer any “policy provision” to the “immediate starts” category.
- (f) In respect of Government investment programmes for which the Council receives grant as the accountable body to the Leicester and Leicestershire Enterprise Partnership (LLEP) (or which the Council receives in its own right as part of the Government’s policy to cease funding via LLEPs) :-
- Delegate to the City Mayor approval to accept Government offers of funding, and to add this to the capital programme;
 - Delegate to the Strategic Director, City Development and Neighbourhoods, in consultation with the Director of Finance, authority to allocate the funding to individual schemes (in effect, implementing decisions of the LLEP whilst the LLEP continues to make them);
 - Agree that City Council schemes funded by the programme can only commence after the City Mayor has given approval;
 - Delegate to the Director of Finance authority to reallocate programme funding between schemes, if permissible, to ensure the programme as a whole can be delivered; and
 - Note that City Council contributions to schemes will follow the normal rules described above (i.e. nothing in this paragraph permits the City Mayor to supplement the programme with City Council resources outside of normal rules).
- (g) Delegate to directors, in consultation with the relevant deputy/assistant mayor, authority to incur expenditure up to a maximum of £250k per scheme in respect of policy provisions on design and other professional fees and preparatory studies, but not any other type of expenditure;
- (h) Approve the capital strategy at Appendix 6.

3. Proposed Programme

Key Policy Issues

- 3.1 The key focus of the 2024/25 capital programme is to deliver strategic objectives as far as possible. It is a limited one year programme, but nonetheless complements the existing programme and aims to support the City Mayor's delivery plan. However, the main constraint is to protect the revenue budget as far as possible.
- 3.2 The programme supports the Council's commitment to tackling the climate emergency, most obviously but not exclusively within the Transport Improvement Works, Operational Estate and Children's capital maintenance programmes.

Resources

- 3.3 Resources available to the programme consist primarily of Government grant and capital receipts (the HRA programme is also supported by tenants' rent monies). Most grant is unringfenced, and the Council can spend it on any purpose it sees fit.
- 3.4 Appendix One presents the resources required to fund the proposed programme, which total some £33.1m. The key unringfenced funding sources are detailed below.
 - (a) £5.4m of general capital receipts. At the time of writing, this includes £2.8m of receipts already received, It has been our previous policy to budget for capital receipts only when they are received, but pressure on resources is currently such that a further £2.5m has been targeted for delivery before the end of 2024/25;
 - (b) £13.0m of unringfenced grant funding. Some of these figures are estimated in the absence of actual allocations from the Government (the figure for 2025/26 represents a first call on that year to enable school schemes to be planned); and
 - (c) £12m of resources brought forward, consisting of money set aside in previous years for, insurance claims no longer required, savings from uncommitted policy provisions, savings from completed programmes and previous years' underspends.
- 3.5 For some schemes the amount of unringfenced resources required is less than the gross cost of the scheme. This is because resources are

ringfenced directly to individual schemes. Ringfenced resources are shown throughout Appendix Two and include the following:

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

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

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

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

Proposed Programme

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

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

- (a) £7.1m has been provided to continue with the **Schools Capital Improvements Programme**. The programme will include routine maintenance and spending is prioritised to reflect asset condition and risk. This will be a two year programme to allow for better forward planning. The proposed programme is shown at Appendix 5: detailed schemes will be developed following consultation with schools.
- (b) £3.3m is provided as part of the continued **Highway Capital Maintenance Programme**. This is a rolling annual programme and spending is prioritised to reflect asset condition, risk and local neighbourhood priorities. The proposed programme is shown at Appendix 4.
- (c) £2.6m is provided in 2024/25 to continue the rolling programme of works constituting the **Transport Improvement Programme**.

Some of the priority areas include:

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

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

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

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

- (b) £1.5m is provided for the **Corporate Estate** to support the council's property portfolio.
- (c) £1.0m has been provided for council owned **Leisure Centres** for the refurbishment and improvements to changing facilities.
- (d) £0.2m has been provided to support the **Depot Relocation** project which will result in a centralised location for the parks depot.
- (e) £0.1m has been provided for relocation of the **Pest & Dogs Depot** to an existing depot to enable the disposal of its current premises.

3.12 £5.9m is provided for Routine Works.

- (a) £3.8m has been made available for the annual **Fleet Replacement Programme**. Wherever possible, ultra-low emission vehicles (ULEVs) will be sought to support the Council's climate emergency response.
- (b) £0.4m has been provided for **Local Environmental Works** in wards. This scheme will focus on local neighbourhood issues including residential parking, local safety concerns, pedestrian routes, cycleways and community lighting to be delivered after consultation with ward members.
- (c) £0.3m is provided for **Grounds Maintenance Equipment** of which £0.2m is funded by prudential borrowing and £0.1m funded by corporate resources. This scheme is to replace ageing machinery with up to date, energy efficient models. The replacement of this equipment is met from borrowing, and a revenue budget exists for this purpose.
- (d) £0.3m has been provided for the **Growing Spaces** project for the development and improvement of community gardens and allotments across the city.
- (e) £0.3m is provided to continue the **Flood Risk Prevention** scheme into 2024/25. The programme supports the local flood risk management strategy and action plan, and the delivery of our statutory role to manage and reduce flood risk in collaboration with the Environment Agency & Severn Trent Water.
- (f) £0.2m is provided for **Foster Care Capital Contribution Scheme** to support foster carers with alterations to their property to allow fostered children to remain living with their carers or to increase the capacity to look after more children.

- (g) £0.2m has been provided for the **Front Walls Enveloping Scheme** and is a continuation of previous schemes. It involves the enclosure of small spaces in front of housing. Enveloping schemes can make a significant improvement to local neighbourhoods and enable occupiers to tend house fronts more effectively.
- (h) Following the success of the current scheme, £0.2m has been put aside for the extension of the **Heritage Interpretation Panels Programme**. This scheme uses digital technology to interpret heritage stories in new ways, e.g. via mobile devices.
- (i) £0.1m has been provided for a **Historic Building Grant Programme**. This will provide match funding to city residents and organisations to support the repair of historic buildings and the reinstatement of lost original historic features.
- (j) £0.1m is included as part of the continued programme to refresh **Festival Decorations**.

3.13 £7.1m is provided for feasibility and contingencies:

- (a) £3.0m is provided for **Match Funding** for new government programmes.
- (b) A **Programme Contingency** of £3.0m has been set aside for cost pressures arising from construction inflation, or (if not needed for this purpose) for any emerging capital needs.
- (c) £1.1m is provided for **Feasibility Studies**. This will enable studies to be done, typically for potential developments not included elsewhere in the programme or which might attract grant support.

Proposed Programme – Policy Provisions

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

3.15 Executive reports seeking approval to spend policy provisions must state

whether schemes, once approved, will constitute projects, work programmes or provisions; and, in the case of projects, identify project outcomes and physical milestones against which progress can be monitored.

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

Capital Strategy

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

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

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

4.1 Financial implications

- 4.1.1 This report is exclusively concerned with financial matters.

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

4.2 Legal implications

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

Kamal Adatia, City Barrister & Head of Standards

4.3 Equalities implications

- 4.3.1 Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to

eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

- 4.3.2 Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.
- 4.3.3 People from across all protected characteristics will benefit from the improved public realm arising from the proposed capital programme. However, as the proposals are developed and implemented, consideration should continue to be given to the equality impacts of the schemes in question, and how they can help the Council to meet the three aims of the PSED.
- 4.3.4 The capital programme includes schemes which improve the city's infrastructure and contribute to overall improvement of quality of life for people across all protected characteristics. By doing so, the capital programme promotes the PSED aim of fostering good relations between different groups of people by ensuring that no area is disadvantaged compared to other areas as many services rely on such infrastructure to continue to operate.
- 4.3.5 Some of the schemes focus on meeting specific areas of need for a protected characteristic: Disabled Facilities Grants (disability), and the Children's Capital Improvement Programme (age).
- 4.3.6 Other schemes target much larger groups of people who have a range of protected characteristics reflective of the diverse population within the city. Some schemes are place specific and address environmental issues that also benefit diverse groups of people. The delivery of the capital programme contributes to the Council fulfilling our PSED. For example, schemes which support people in being able to stay in their homes, to continue to lead independent lives, and to participate in community life help promote equality of opportunity, another one of the aims of the PSED.
- 4.3.7 Where there are any improvement works to buildings or public spaces, considerations around accessibility (across a range of protected characteristics) must influence design and decision making. This will ensure that people are not excluded (directly or indirectly) from accessing a building, public space, or service, based on a protected characteristic. All schemes should consider the PSED and conducting Equality Impact Assessments where relevant to inform the process.

Kalvaran Sandhu, Equalities Manager

4.4 Climate Emergency implications

- 4.4.1 The Council declared a climate emergency in February 2019 and is delivering its Climate Emergency Strategy & Action Plan, which sets an ambition for the council and city to achieve net zero carbon emissions. The council is one of the largest employers and landowners in the city, with a carbon footprint of 16,415 tCO₂e from its own operations in 2022/23. The council therefore has a vital role to play in reducing emissions from its operations, working with its partners and leading by example on tackling the climate emergency in Leicester. The report notes the importance of tackling the climate emergency through the capital programme, with a number of the projects outlined directly playing a positive role in reducing carbon emissions in the city.
- 4.4.2 There is not sufficient information within this report to provide specific details of climate change implications for individual projects, which may have significant implications and opportunities. Detailed implications should therefore be produced for individual projects as and when plans are finalised. At a high level, there are some general principles that should be followed during the planning, design and implementation of capital projects, as detailed below. A toolkit is also being developed to support the achievement of reduced carbon emissions in council capital construction and renovation projects.
- 4.4.3 New buildings should be constructed to a high standard of energy efficiency, and incorporate renewable energy sources where possible, with projects aiming to achieve carbon neutral development or as close as possible to this. Maintenance and refurbishment works, including replacement of systems or equipment, should also seek to improve energy efficiency wherever possible. This will reduce energy use and therefore bills, delivering further benefits. Major projects will also need to meet Climate Change policy CS2 in the Leicester City Core Strategy planning document, which requires best practice in terms of minimising energy demand for heating, ventilation and lighting, achieving a high level of fabric efficiency, and the use of low carbon or renewable sources of energy.
- 4.4.4 Projects involving procurement, including for construction works, should follow the Council's sustainable procurement guidelines. This includes the use of low carbon and sustainable materials, low carbon equipment and vehicles and reducing waste in procurement processes. Transport projects should seek to enable a greater share of journeys to be safely and conveniently undertaken by walking, cycling or public transport wherever possible, and many of the planned works will directly contribute to this. Flood risk and environmental works are also a key part of increasing resilience to a changing climate in the city.

Aidan Davis, Sustainability Officer

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

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

5. Background information and other papers:

6. Summary of appendices:

- Appendix 1 Capital Resources.
- Appendix 2a Grant Funded Schemes
- Appendix 2b Own Buildings
- Appendix 2c Routine Works
- Appendix 2d Feasibilities and Contingencies
- Appendix 3 Operational Estate Maintenance Capital Programme
- Appendix 4 Highways Maintenance Capital Programme
- Appendix 5 Children's Capital Improvement Programme
- Appendix 6 Capital Strategy 2024/25

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

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

Report Author: Kirsty Cowell

DRAFT

Appendix One

Capital Resources

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

Grant Funded Schemes

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

Key to Scheme Types : WP = Work Programme

Summary of Ringfenced Funding

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

Own Buildings

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

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

Routine Works

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

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

Feasibilities and Contingencies

	Division	Scheme Type	Corporate Programme Funding {£000}	Ringfenced Funding {£000}	Total Approval {£000}
<u>Feasibilities and Contingencies</u>					
Match Funding	CDN (Various)	PP	3,000	-	3,000
Programme Contingency	All Divisions	PP	3,000	-	3,000
Feasibility Studies	CDN (Various)	WP	1,130	-	1,130
TOTAL			7,130	-	7,130
<i>Key to Scheme Types : PP = Policy Provision ; WP = Work Programme</i>					
GRAND TOTAL – ALL SCHEMES			31,060	2,011	33,071

Operational Estate Maintenance Capital Programme

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

Proposed Highways Maintenance Capital Programme

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

Children's Capital Improvement Programme

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

Capital Strategy 2024/25

1. Introduction

- 1.1 It is a requirement on local authorities to prepare a capital strategy each year, which sets out our approach to capital expenditure and financing at a high level. The requirement to prepare a strategy arises from Government concerns about certain authorities borrowing substantial sums to invest in commercial property, often primarily for yield and outside the vicinity of the council concerned (something the Council has never done).
- 1.2 There is also a requirement on local authorities to prepare an investment strategy, which specifies our approach to making investments other than day to day treasury management investments (the latter is included in our treasury management strategy, as in previous years). The investment strategy is presented as a separate report on your agenda.
- 1.3 This appendix sets out the proposed capital strategy for the Council's approval.

2. Capital Expenditure

- 2.1 The Council's capital expenditure plans are approved by the full Council, on the basis of two reports:-
- (a) The corporate capital programme – this covers periods of one or more years, and is always approved in advance of the period to which it relates. It is often, but need not be, revisited annually (it need not be revisited if plans for the subsequent year have already been approved);
 - (b) The Housing Revenue Account (HRA) capital programme – this is considered as part of the HRA budget strategy which is submitted each year for approval.
- 2.2 The capital programme is split into:-
- (a) Immediate starts – being schemes which are approved by the Council and can start as soon as practical after the council has approved the programme. Such schemes are specifically described in the relevant report;
 - (b) Policy provisions, which are subsequently committed by the City Mayor (and may be less fully described in the report). The principle here is that further consideration is required before the scheme can start.
- 2.3 The corporate capital programme report sets out authorities delegated to the City Mayor. Decisions by the City Mayor are subject to normal requirements in the constitution (e.g. as to prior notice and call-in).

- 2.4 Monitoring of capital expenditure is carried out by the Executive and the Overview Select Committee. Reports are presented on 3 occasions during the years, and at outturn. For this purpose, immediate starts have been split into three categories:-
- (a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes are monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);
 - (b) **Work Programmes** – these will consist of minor works or similar schemes where is an allocation of money to be spent in a particular year.
 - (c) **Provisions** – these are sums of monies set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.
- 2.5 When, during the year, proposals to spend policy provisions are approved, a decision on classification is taken at that time (i.e. a sum will be added to projects, work programmes or provisions as the case may be).
- 2.6 The authority does not capitalise expenditure, except where it can do so in compliance with proper practices: it has never applied for directions to capitalise revenue expenditure. Given the current revenue position, this stance will be kept under review.
- 2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2024/25. It therefore, includes latest estimates of expenditure from the 2023/24 programme that will be rolled forward.

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

- 2.8 The Council's Estates and Building Services Division provides professional management of non-housing property assets. This includes maintaining the properties, collecting any income, rent reviews, ensuring that lease conditions are complied with and that valuations are regularly updated at least every 5 years. A capital programme scheme is approved each year for significant improvements or renovation.
- 2.9 The Housing Division provides management of tenanted dwellings. Apart from new build and acquisitions, the HRA capital programme is almost entirely funded from tenants' rents. The criteria used to plan major works are in the table below:-

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

3. Financing Capital Expenditure

- 3.1 Most capital expenditure of the Council is financed as soon as it is spent (by using grants, capital receipts, revenue budgets or the capital fund). The Council will only incur spending which cannot be financed in this way in strictly limited circumstances. Such spending is termed "prudential borrowing" as we are able to borrow money to pay for it. Circumstances in which the Council will use "prudential borrowing" are:-
- (a) Where spending facilitates a future disposal, and it is estimated that the proceeds will be sufficient to fully cover the initial costs;
 - (b) Where spending can be justified with reference to an investment appraisal (this is further described in the separate investment strategy). This also includes social housing, where repayment costs can be met from rents;

- (c) Other “spend to save” schemes where the initial cost is paid back from revenue savings or additional income;
- (d) Where, historically, the Council has used leasing for vehicles or equipment, and revenue budgets already exist to meet the cost;
- (e) “Once in a generation” opportunities to secure significant strategic investment that will benefit the city for decades to come.

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

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

(The table above excludes PFI schemes).

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

4. Debt Repayment

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

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

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

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

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

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

4.7 Debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure relating to the construction of an asset, the charge will commence in the year after the

asset becomes operational or the year after total expenditure on the scheme has been completed.

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

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

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

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

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

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

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

5. **Commercial Activity**

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

- (a) The Council will not make such investments purely to generate income. Each investment will also benefit the Council’s service objectives (most probably, in respect of economic regeneration and jobs). It will, however, invest to improve the financial performance of the corporate estate;
- (b) The Council will not make investments outside of the Leicester, Leicestershire and Rutland area (or just beyond its periphery) except as described below. We would not, for instance, borrow money to buy a shopping centre 100 miles from Leicester;
- (c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example

might be a joint investment, in collaboration with other local authorities; or investment in a consortium serving local government as a whole. In these cases, the location of the asset is not necessarily relevant.

- 5.2 Such investments will only take place (if they are of significant scale) after undertaking a formal appraisal, using external advisors if needs be. Nonetheless, as such investments also usually achieve social objectives, the Council is prepared to accept a lower return than a commercial funder might, and greater risk than it would in respect of its treasury management investments. Such risk will always be clearly described in decision reports (and decisions to make such investments will follow the normal rules in the Council's constitution).
- 5.3 Although the Council accepts that an element of risk is inevitable from commercial activity, it will not invest in schemes whereby (individually or collectively) it would not be able to afford the borrowing costs if they went wrong. As well as undertaking a formal appraisal of schemes of a significant scale, the Council will take into account what "headroom" it may have between the projected income and projected borrowing costs. In practice, our ability to carry out commercial activity is now limited by our revenue position.
- 5.4 In addition to the above, the Council's treasury strategy may permit investments in property or commercial enterprises. Such investments may be to support environmental and socially responsible aims, and are usually pooled with other bodies. For the purposes of the capital strategy, these are not regarded as commercial activities under this paragraph as the activity is carried out under the treasury strategy.

6. **Knowledge and Skills**

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

**Culture and Neighbourhoods Scrutiny Commission
Work Programme 2023 – 2024**

Meeting Date	Item	Recommendations / Actions	Progress
16 August 2023	Introduction presentation to Culture and Neighbourhoods services.	Suggested topics for scrutiny to be added to the work programme.	Complete
26 September 2023	<ul style="list-style-type: none"> • Voluntary Community sector engagement strategy report • Draft Cultural and Creative Industries Strategy report • 2 reports: a) Ward Funding Policy and b) Ward Funding Annual Report • Work Programme – draft work programme 	<ol style="list-style-type: none"> 1) <ol style="list-style-type: none"> a) To explore formalising structures with VCS. b) To explore LCC and VCS joint funding initiatives / boards. c) LCC to provide helping hand to VCS to empower communities. d) To explore a business pledge for LCC to sign up to. e) To engage more with ward cllrs. 2) A fuller report to be brought back to a future meeting. 3) <ol style="list-style-type: none"> a) to consider increasing the ward funding budget. b) Vice chair to lead a Review group to be set up to look into this topic. c) The engagement of volunteers to be explored. d) To consider best practice. e) For the members training re: ward meetings on 11th Oct - suggested 2 levels of engagement needed – one for more experienced cllrs and one for newer cllrs. 	<ol style="list-style-type: none"> 1) In progress – officers to respond in due course. 2) Listed on the work programme. 3) b) Initial discussions taking place between officers and members.

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Appendix D

Meeting Date	Item	Recommendations / Actions	Progress
24 October 2023	<p>1) Executive response back from previous review re: Encouraging women to participate in sports and physical activities.</p> <p>2) Museum Service Overview</p> <p>3) Bereavement Services/Burial Policy</p>	<p>1a) Amend/clarify wording on women swimming in burkhas.</p> <p>1b) A report on various bodies that could promote Women's engagement in Sport (i.e. the NHS or Universities) could be produced, perhaps a Board could look at.</p> <p>1c) Good practice in other authorities to be considered.</p> <p>1d) Other Groups with protected characteristics such as disability sport could be considered. Data could also be broken down into, for example, age and ethnicity.</p> <p>1e) Indicators of success to be provided.</p> <p>1f) Delivery and implementation of the Sports Strategy to be reported to Scrutiny.</p> <p>2a) Update to be brought to Scrutiny once Museums Strategy in place.</p> <p>2b) Updates to be brought annually.</p> <p>3a) Annual update to come to Scrutiny.</p> <p>3b) Commission to be kept aware of the national consultation of the issue and any legislative changes on re-burial policy.</p>	<p>1a) Complete, document amended.</p> <p>1b) Sport & Active Recreation Development Manager happy to consider for future meeting, subject to approval by the Chair.</p> <p>1c) Noted, and ongoing practice adopted with this.</p> <p>1d) Point to note.</p> <p>1e) This can be supplied, as and when required. Sport & Active Recreation Development Manager recommends an annual update on women's participation in sport. This could link into above point of disability too.</p> <p>1f) Being brought forward at December meeting.</p> <p>2a) Update following Museum Strategy likely to come in January 2024</p>

Meeting Date	Item	Recommendations / Actions	Progress
5 December 2023	1) Active Leicester Strategy Action Plan 2) Tree Strategy review	1a) Opportunities to encourage cooperation between professional sports clubs and the voluntary sector to be considered. 1b) Report to come back to Commission once more complete and the findings of the seminar are known. 1c) Should Sport England Funding become available, grassroots/community sports clubs to be considered for priority over larger professional clubs with their own funding streams.	
29 January 2024	Council budget reports – general fund and capital		
28 February 2024	Festivals and Events Review update Draft Museum Strategy		

Forward Plan Items (suggested)

Topic	Detail	Proposed Date
Library and Community Needs Assessment		
VCSE Strategy/Crowdfund Leicester Update/Enabling volunteers.		
Tourism Plan Review		
Informal Scrutiny Response Report – ASB team		
Culture and Creative Industry Strategy	A fuller report to be provided following the item on 26 September.	
Community Safety		
Fly-tipping strategy		
Growing spaces strategy		
Jewry Wall museum development, progress update		
Heritage panels, inviting members suggestions for new panels		
Heritage Lottery Fund (Place Programme Funding)	Requested at meeting on 24 October	

Food Service Plan Update		
Active Leicester	Following discussion at the meeting of 5 December, it was requested that the report come back to the commission around 6-months later when it was more full and the findings of the seminar were known.	

