Leicester
City Council

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

20 February 2019

Sir or Madam

I hereby summon you to a meeting of the LEICESTER CITY COUNCIL to be held at the Town Hall, on WEDNESDAY, 20 FEBRUARY 2019 at FIVE O'CLOCK in the afternoon, for the business hereunder mentioned.

Kamal Adatia

Monitoring Officer

AGENDA
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1. LORD MAYOR'S ANNOUNCEMENTS

2. DECLARATIONS OF INTEREST

3. STATEMENTS BY THE CITY MAYOR/EXECUTIVE

4. MATTERS RESERVED TO COUNCIL

4.1 General Fund Revenue Budget 2019/20 to 2021/22

4.2 Housing Revenue Account Budget (including Capital Programme) 2019/20 to 2021/22

4.3 Treasury Management Strategy 2019/20

4.4 Investment Strategy

4.5 Treasury Policy

5. ANY OTHER URGENT BUSINESS

Fire & Emergency Evacuation Procedure

- The Council Chamber Fire Exits are the two entrances either side of the top bench or under the balcony in the far left corner of the room.
- In the event of an emergency alarm sounding make your way to Town Hall Square and assemble on the far side of the fountain.
- Anyone who is unable to evacuate using stairs should speak to any of the Town Hall staff at the beginning of the meeting who will offer advice on evacuation arrangements.
- From the public gallery, exit via the way you came in, or via the Chamber as directed by Town Hall staff.

Meeting Arrangements

- Please ensure that all mobile phones are either switched off or put on silent mode for the duration of the Council Meeting.

- Please do not take food into the Council Chamber.

- Please note that Council meetings are web cast live and also recorded for later viewing via the Council's web site. Tweeting in formal Council meetings is fine as long as it does not disrupt the meeting. Will all Members please ensure they use their microphones to assist in the clarity of the web-cast.

- The Council is committed to transparency and supports efforts to record and share reports of proceedings of public meetings through a variety of means, including social media. In accordance with government regulations and the Council's policy, persons and press attending any meeting of the

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The aim of the Regulations and of the Council's policy is to encourage public interest and engagement so in recording or reporting on proceedings members of the public are asked:

- ✓ to respect the right of others to view and hear debates without interruption;
- ✓ to ensure that the sound on any device is fully muted and intrusive lighting avoided;
- ✓ where filming, to only focus on those people actively participating in the meeting;
- ✓ where filming, to (via the Chair of the meeting) ensure that those present are aware that they may be filmed and respect any requests to not be filmed.

DECISIONS RESERVED TO COUNCIL

4.1 GENERAL FUND REVENUE BUDGET 2019/20 TO 2021/22

Council is requested to consider:-

a) the City Mayor's recommendations to Council published in a Decision Notice dated 12 February;

b) the City Mayor's proposed budget for 2019/20 to 2021/22.

c) the technical recommendations to Council which will be published ahead of the meeting on 20 February 2019 and will be attached to the Council Script.

A copy of the Decision Notice dated 12 February 2019 (Page 49) and the report (Page 5) are attached. Also attached are extracts from the following Scrutiny Committees and Commissions which considered the budget:

Overview Select Committee – 7 February 2019 (Page 51)

Adult Social Care Scrutiny Commission – 22 January 2019 (Page 55)

Children, Young People and Schools Scrutiny Commission – 5 February 2019 (Page 59)

Economic Development, Transport and Tourism Scrutiny Commission - 17 January 2019 (Page 63)

Health and Well-being Scrutiny Commission – 15 January 2019 (Page 65)

Heritage, Culture, Leisure and Sport Scrutiny Commission – 8 January 2019 (Page 67)

Housing Scrutiny Commission - 7 January 2019 (Page 69)

Neighbourhood Services and Community Involvement Scrutiny Commission – 23 January 2019 (Page 73)

Council is recommended to approve the technical recommendations and the recommendations in the report of the Director of Finance subject to any amendments recommended by the City Mayor.

4.2 HOUSING REVENUE ACCOUNT (HRA) BUDGET (including Capital Programme) 2019/20 to 2021/22

Council is asked to:-

a) consider the Assistant City Mayor – Housing's recommendations for the Housing Revenue Budget 2019/20 published in a Decision Notice dated 11 February; and

b) approve the proposed Housing Revenue Account budget (including Capital Programme) for 2019/20 to 202/22.

A copy of the Decision Notice dated 11 February (Page 129) and the report (Page 75) are attached. Also attached in the report is a minute extract from the Housing Scrutiny Commission on 17 December 2018. (Page 131)

The Council is recommended to:

i) To approve the Housing Revenue and Capital budgets for 2019/20
ii) To note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;
iii) To note the equality assessment of the proposed revenue and capital reductions required to present a balanced budget;
iv) To approve the approach to continue to implement the 1% reduction in rent;
v) To approve the increase in service charges of 2% (excluding district heating and communal cleaning), and increase in garage rent of 3.7% for 2019/20;
vi) To approve the proposal for Hostel rents to remain unchanged;
vii) Note that the scheme of virement (included within the General Fund Revenue Budget report which is also on your agenda) applies also to the HRA budget with total expenditure and total income acting as budget ceilings for this purpose;
viii) Note that the capital strategy in that report applies also to the HRA;
ix) Agree that the delegations and determinations applicable to the main capital programme (and approved by the Council on 30th November 2017) shall also apply to the capital programme in this report.

4.3 TREASURY MANAGEMENT STRATEGY 2019/20

The Director of Finance submits a report that a strategy for managing the Council's borrowing and cash balances during 2019/20 and for the remainder of 2018/19. (Page 135)

The matter was considered at the Overview Select Committee on 7 February 2019 and a minute extract is attached to the report. (Page 157)

Council is recommended to approve this Treasury Management Strategy, which includes the Annual Investment Strategy at Appendix B of the report.

4.4 INVESTMENT STRATEGY

The Director of Finance submits a report seeking approval for the strategy covering non-treasury investments. (Page 159)

The matter was considered at the Overview Select Committee on 7 February 2019 and a minute extract is attached to the report. (Page 171)

Council is recommended to approve the Investment Strategy.

4.5 TREASURY POLICY

The Director of Finance submits a report proposing a framework for the governance of the Council's borrowing and investments, which updates the framework approved by Council in 2012 to reflect revised professional and statutory guidance. (Page 173)

The matter was considered at the Overview Select Committee on 7 February 2019 and a minute extract is attached to the report. (Page 183)

Council is recommended to approve the Treasury Policy.

Sir Peter Soulsby
City Mayor

Andy Connelly
Assistant City Mayor Housing

4.1

Leicester City Council

Council **Date: 20th February 2019**

General Fund Revenue Budget 2019/20 to 2021/22

Report of the Director of Finance

1. **Purpose**

1.1 The purpose of this report is to ask the Council to consider the City Mayor's proposed budget for 2019/20 to 2021/22.

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

2. **Summary**

2.1 The Council is enduring the most severe period of spending cuts we have ever experienced. The budget for this year is made more difficult because we do not know the extent of cuts required beyond 2019/20.

2.2 As a consequence of these cuts, the Council's budget (on a like for like basis) has fallen from £358m in 2010/11 to £294m in 2019/20. Despite this, spending on social care is demand led, and numbers of older people requiring care and looked after children have increased over this period. As a consequence, spending on all other services will fall from £192m to an estimated £102m, a cut of almost 60% in real terms.

2.3 We know from reports of the Institute of Fiscal Studies and our own analysis that government cuts have disproportionately hit the most deprived authorities (such as Leicester).

2.4 Since 2014/15, the Council's approach to achieving these substantial budget reductions has been based on the following approach:-

(a) An in-depth review of discrete service areas (the "Spending Review Programme");

(b) Building up reserves, in order to "buy time" to avoid crisis cuts and to manage the Spending Review Programme effectively. We have termed this the "managed reserves strategy".

2.5 The Spending Review Programme is a continuous process. When individual reviews conclude, an Executive decision is taken and the budget is reduced in-year, without waiting for the next annual budget report. Executive decisions are informed by consultation with the public (where appropriate) and the scrutiny function.

2.6 This approach has served us well. Budgets for the period 2013/14 to 2015/16 contributed over £40m to reserves, which have been used to support budgets since 2016/17 and postpone the maximum impact of government cuts. This has been extended by regular reviews of reserves and other one-off monies available.

2.7 Because of this approach, the Council has sufficient reserves available to balance the budget in 2019/20, and will have some remaining for 2020/21.

2.8 Funding levels beyond 2019/20 are particularly uncertain, with the move to 75% rates retention, the Government's planned funding review and the risk of further centrally-imposed cuts to local government funding (set out in more detail in paragraphs 11.11 – 11.17). Initial proposals from the funding review suggest resource transfers from urban to rural areas. There are also significant unknowns around funding for social care services (see paragraph 7.7).

2.9 To mitigate these risks, further savings from the spending review process are being used to extend the managed reserves strategy beyond 2019/20. However, it seems inevitable that medium term budgets cannot be balanced without additional significant cuts.

2.10 As a consequence, the following approach has been adopted:-

(a) The budget for 2019/20 has been balanced using reserves, and can be adopted as the Council's budget for that year;

(b) A further round of spending reviews has commenced ("Spending Review 4"). This has allocated target savings of £20m across departments, plus amounts outstanding from earlier rounds. To date, savings totalling £4.7m have been achieved since February 2018, and built into budget forecasts (see paragraph 6.6)

2.11 **What this means is that, in substance, the budget proposed is a one year budget. Projections of spending and income have been made beyond 2019/20, but they are uncertain and volatile.**

2.12 As we get more information, and greater certainty we will need to plan for future budgets. It is likely that Spending Review 4 will be insufficient.

2.13 In common with other authorities nationally, we continue to face growth in social care costs, and it is not impossible that these services will consume an ever greater proportion of the budget (squeezing out the traditional services provided to the whole community). Government intentions for social care funding beyond 2019/20 are not known; a Green Paper planned for mid-2018 has already been delayed several times, and is now intended to be published "by April". It will be some time before any reforms have an appreciable impact on our costs.

2.14 It should also be noted that there are some significant risks in the budget. These are described in paragraph 17, and to help mitigate these, a contingency of £1m has been included in the 2019/20 budget.

2.15 The budget provides for a council tax increase of 3% in 2019/20, which is the maximum available to us without a referendum.

2.16 Together with the other authorities in Leicestershire and the Combined Fire Authority, the Council successfully bid to pilot the Government's proposed 75% business rates retention scheme in 2019/20 (one year early). In addition to trialling the new approach, the pilot is expected to convey a financial benefit. The pilot also changes the way in which the Council receives its income in 2019/20; however, to aid understanding, the figures in this report:-

a) show the income we would have received in the absence of a pilot;

b) make a prudent estimate that a further £2.9m will be available for one year only (see paragraph 11.6)

2.17 In the exercise of its functions, the City Council (or City Mayor) must have due regard to the Council's duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others. The budget is, in effect, a snap-shot of the Council's current commitments and decisions taken during the course of 2018/19. There are no proposals for decisions on specific courses of action that could have an impact on different groups of people. Therefore, there are no proposals to carry out an equality impact assessment on the budget itself, apart from the proposed council tax increase (this is further explained in paragraph 10 and the legal implications at paragraph 21). Where required, the City Mayor has considered the equalities implications of decisions when they have been taken and will continue to do so for future spending review decisions.

3. **Recommendations**

3.1 Subject to any amendments recommended by the Mayor, the Council is asked to:-

(a) approve the budget strategy described in this report, and the formal budget resolution for 2019/20 which will be circulated separately;

(b) note comments received on the draft budget (which are fewer than in previous years);

(c) approve the budget ceilings for each service, as shown at Appendix One to this report;

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

(e) note my view that reserves will be adequate during 2019/20, and that estimates used to prepare the budget are robust;

(f) note the equality implications arising from the proposed tax increase, as described in paragraph 10 and Appendix Four;

(g) approve the capital strategy, and associated prudential indicators, described in paragraph 19 and Appendix Three;

(h) emphasise the need for outstanding spending reviews to be delivered on time, after appropriate scrutiny;

4. Budget Overview

4.1 The table below summarises the proposed budget for 2019/20, and shows the forecast position for the following two years:-

	2019/20 £m	2020/21 £m	2021/22 £m
Service budget ceilings	264.4	256.9	256.2
Corporate Budgets			
Capital Financing	5.5	5.9	6.1
Miscellaneous Central Budgets	(2.2)	(2.0)	(1.8)
Corporate Contingency	1.0		
Education Funding Reform	0.5	1.0	1.0
Future Provisions			
Inflation		4.4	8.8
Planning provision		3.0	6.0
TOTAL SPENDING	**269.2**	**269.2**	**276.3**
Rates Retention			
Business Rates	62.3*		
Business rates top-up grant	46.7*		
Revenue Support Grant	28.4*		
Subtotal – Rates Retention	137.4	137.1	136.9
BR pilot	2.9		
Council Tax	114.7	117.8	120.9
Collection Fund deficit	(2.2)		
New Homes Bonus	6.9	5.4	5.0
Social Care grant	4.3		
TOTAL RESOURCES	**263.9**	**260.3**	**262.8**
Underlying gap in resources	5.3	8.9	13.5
Demographic Pressures reserve	(3.5)		
Managed Reserves Strategy	(1.8)		
Gap in resources	**NIL**		
Projected tax increase	3.0%	2.0%	2.0%

* These sums will in practice be received through the business rates pilot. The figures above show the income we would have received in the absence of a pilot, with the estimated benefit of the pilot shown separately.

4.2 The budgets from 2020/21 are presented in broad terms only, as from 2020/21, the current business rates retention scheme will be replaced. We do not yet know the format of the new scheme – the table above assumes further cuts of £3m per year in real terms in each of 2020/21 and 2021/22.

4.3 The position in 2020/21 and 2021/22 is particularly volatile, and the above figures assume (in effect) that the Government will provide sufficient funding to meet demographic pressures in adult social care, and that the growth in looked after children costs can be contained. If this is not the case, and deeper cuts are also required, the gap in 2021/22 could increase from £13.5m to anything up to £50m.

5. Council Tax

5.1 The City Council's proposed tax for 2019/20 is £1,552.17, an increase of just below 3% compared to 2018/19.

5.2 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part). Separate taxes are raised by the police authority and the fire authority. These are added to the Council's tax, to constitute the total tax charged.

5.3 The total tax bill in 2018/19 for a Band D property was as follows:-

	£
City Council	1,506.98
Police	199.23
Fire	64.71
Total tax	**1,770.92**

5.4 The actual amounts people are paying in 2018/19, 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.

5.5 The formal resolution will set out the precepts issued for 2019/20 by the Police and Crime Commissioner and the fire authority, together with the total tax payable in the city.

6. Construction of the Budget

6.1 By law, the role of budget setting is for the Council to determine:-

(a) The level of council tax;

(b) The limits on the amount the City Mayor is entitled to spend on any service ("budget ceilings").

6.2 The proposed budget ceilings are shown at Appendix One to this report.

6.3 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.

6.4 The ceilings for each service have been calculated as follows:-

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

(b) Decisions taken by the Executive in respect of spending reviews which are now being implemented have been deducted from the ceilings;

(c) Increases in pay costs. While the "headline" pay increase for most local government employees is 2%, the pay spine is being revised from April 2019 to ensure it more effectively caters for the impact of the National Living Wage. The average increase is therefore higher at around 2.4%, weighted towards areas that have a greater proportion of employees on lower pay grades.

6.5 Apart from the above, no inflation has been added to departments' budgets for running costs or income, except for an allowance for:-

(a) Independent sector adult care (2%);

(b) Foster care (2%);

(c) Costs arising from the waste PFI contract (3.4% - RPI).

6.6 The following spending review decisions have been formally taken since February 2018, and budgets reduced accordingly:-

	18/19 £000	**19/20 £000**	**20/21 £000**	**21/22 £000**
Spending Reviews 1 to 3:				
Neighbourhood Services	109	164	419	419
Sports Services	-	250	550	1,200
Sexual Health Services	-	555	555	555
Lifestyle Services	475	1,080	1,080	1,080
Spending Review 4:				
Corporate Resources	886	1,636	1,768	1,785
Adults Social Care	1,067	2,278	2,348	2,418
Regeneration & Culture	391	490	440	440
	2,928	**6,453**	**7,160**	**7,897**

Savings realised in 2018/19 are being used to support the managed reserves strategy into 2019/20 and 2020/21.

6.7 The latest round of spending reviews ("Spending Review 4") has asked departments to prepare plans to save an additional £20m, as well as completing outstanding reviews from earlier rounds.

7. How Departments will live within their Budgets

7.1 The role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. In some cases, changes to past spending patterns are required to enable departments to live within their budgets. Actions taken, or proposed by the City Mayor, to live within these budgets are described below.

Adult Social Care

7.2 In common with adult care services across the country, the department faces significant cost pressures. These principally arise from:-

(a) Demographic growth – an ageing population means the number of older people potentially requiring care is increasing (which has been the pattern for many years);

(b) More people living longer, but doing so in many cases with multiple health conditions that increase the level of care and support required (not just in older people, but more prominently for adults of working age who are supported by the department);

(c) The impact of the increasing needs of services users as their conditions deteriorate over time. This is very significant with year on year increases in care package costs of 2.5%, 3.4% and 5.3% in the three years from 2015/16 to 2017/18. The current projection for 2018/19 is 5.5%;

(d) Increasing numbers of service users with mental health conditions, with increases of more than 5% in 2016/17 and 2017/18.

7.3 In addition, the National Living Wage (NLW) has been increasing in stages to reach 60% of median earnings by 2020. The Low Pay Commission, which recommends rates, estimates that the NLW will reach this target at a rate of £8.62 per hour by 2020/21[1]. The series of increases in the NLW has created pressures for independent sector care providers, who seek to pass the cost on to local authorities. We have no knowledge of the Government's intention regarding the National Living Wage beyond 2020/21 (the Chancellor announced a review in the 29th October budget).

7.4 In 2019/20, the above pressures are expected to result in additional spending needs of £5m to £6m. Further pressure is anticipated from reduction in joint funding income from the NHS, estimated at £2m. Nonetheless, the proposed budget will enable the department to live within its resources:-

(a) In 2016/17, a four-year growth package was approved by the Council. The final tranche of £2.8m is due in 2019/20;

(b) The Government is providing additional monies through the Better Care Fund.

7.5 Additionally, the department is supporting its own budget pressures and contributing to the Council's Spending Review Programme. Measures to support

[1] *National Minimum Wage Report 2018*, published November 2018

its own pressures include achieving staffing reductions of 20% (whilst maintaining stability), increasing productivity and empowering and supporting practitioners to take decisions and manage risk effectively on cost effective care packages. Overall management of the departmental budget means that some funding will be available to support the budget in 2020/21, after the current round of the Better Care Fund has ceased. The department has not overspent since 2015/16, unlike many adult social care departments elsewhere.

7.6 The department has so far contributed £2.4m of savings towards the new Spending Review 4 Programme.

7.7 Beyond 2019/20, attempting to budget for adult social care is a near impossibility. The current round of BCF ends after 2019/20; the Government recognises that there is a looming crisis, but the promised green paper to put the sector on a sustainable footing has now been delayed for over 12 months, and (at the time of writing) there is still no clear timetable for its publication. The pressures, however, continue to grow: if there is no replacement for BCF whatsoever, the shortfall could amount to anything up to £30m by 2021/22.

City Development and Neighbourhoods

7.8 The department provides a wide range of statutory and non-statutory services which contribute to the wellbeing and civic life of the City. It brings together local services in neighbourhoods and communities, economic strategy, strategic and local transportation, tourism, regeneration, the environment, culture, heritage, libraries, adult learning, housing and property management.

7.9 Historically, the department has been able to live within its budget. The nature of the department's services is such that it does not experience the same financial volatility as social care services.

7.10 The department is a major contributor to the Spending Review Programme. To date, it has achieved £18.7m in earlier rounds of the programme and has a target of £7.4m to achieve in respect of Spending Review 4.

7.11 In 2018/19, for the first time, the department needed to achieve savings to enable it to live within its resources. This arose from budget pressures in waste management, bereavement income, market income and community services income. The approach taken by the department was to make additional spending review savings (in effect, increasing its target to £8.8m). Savings already achieved as part of the Spending Review 4 Programme now mean the department is able to live within its budget and has begun to achieve further savings to support the corporate position. Future savings are expected to arise from further review of investment properties, new pay and display bays, and increased enforcement of bus lanes and urban clearways.

7.12 There is, nonetheless, a temporary pressure within the budget because the (completed) technical services review is taking longer to implement than anticipated. This pressure is being managed by means of additional short-term income generated by capital programme work.

Health and Wellbeing

7.13 The health and wellbeing division consists of core public health services, together with sports and leisure provision. It is partly funded from public health grant and partly from the general fund.

7.14 Public health grant has been falling, and has fallen by a further £0.7m in 2019/20. In 2020/21, public health grant is expected to cease, and the money consolidated into the new 75% Business Rates Retention Scheme. This, however, remains uncertain as it is subject to agreement between the Ministry of Housing, Communities and Local Government; and the Department of Health – the latter may wish to impose requirements on how former public health grant is spent in the future. We have no indication of the equivalent amount of grant we will receive in 2020/21.

7.15 The department has completed all outstanding reviews from the earlier stages of the Spending Review Programme. Reviews of sports services, sexual health services and lifestyle services have all been completed in 2018/19, and have collectively contributed £2.8m to the Council's ongoing budget reductions. These reviews are now in the process of implementation. The department is able to manage within its budget for 2019/20 although it is facing cost pressures of around £120k associated with an increase in licensed drug treatment costs, as well as an estimated £570k as a result of the national pay award for NHS staff working in services commissioned by the Council. This has been escalated nationally to the Department of Health & Social Care, Public Health England and the LGA as a 'new burden' on local government which cannot be met within the existing grant without further service reductions.

7.16 The department is expecting to contribute to the Spending Review 4 Programme, with a key area being review of services provided to children aged 0-19.

Corporate Resources and Support

7.17 The key challenge facing the department is to be as cost effective as possible, in order to maximise the amount of money available to run public facing services. The department has achieved £8.6m of savings since 2011/12 in earlier phases of the spending review programme, and is expected to save a further £3.3m as part of the Spending Review 4 Programme. £1.9m of this has already been achieved.

7.18 The department will manage within its budget ceilings for 2019/20, having absorbed new spending pressures. These pressures include:-

(a) Additional legal posts to manage workload (£0.4m) which will be met from a combination of charges to the HRA, charges to the capital programme and a review of working arrangements. A further £0.4m for childcare lawyers is being funded from within existing budgets;

(b) The department is paying £0.5m per year on an offsite benefits processing contract. The need for this arises from difficulties in retaining staff (the service has a limited "shelf life", given the move to Universal Credit) and the need to improve performance and increase available subsidy. It is anticipated that the cost will be met from savings achieved;

(c) Reductions in housing benefit administration grant will be compensated by departmental reserves in 2019/20. We do not know what grant arrangements beyond 2019/20 will be.

Children's Services

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

7.20 Without additional funding the department will be facing an impossible task of meeting pressures estimated at £10m to £11m in 2019/20. The key cost pressures facing the department are:-

(a) Social care placement costs, where there is a pressure of some £6m. This is a combination of increasing numbers of looked after children with new entrants to care averaging 260 per annum in recent years (this level is now being reduced because of referral of cases to new therapeutic intervention teams); continued reliance on independent fostering agents (over 20% of total foster care placements); and the number of children in external residential placements (although this has reduced from 40 to 33 since the beginning of 2018/19);

(b) Pressures in respect of transport costs for looked after children and SEN pupils (around £2m);

(c) Continued pressures as a consequence of inability to recruit social workers, and the need to use agency staff while we "grow our own";

(d) Pressures of £2m from previous years which have been dealt with by one-off money (these, themselves, arise from the same issues described above).

7.21 Pressures on children's social care has started to be acknowledged by the Government, and funding made available for social care in 2019/20 is now also (expressly) intended for children's social care as well as adult care. The need for the Government to increase funding in this area continues to be made by us, and the LGA. Nonetheless, the director is reviewing options to reduce costs on a permanent basis with a view to bringing the department back to within its budget in later years (there is no expectation of any contribution to the authority's spending review targets in 2020/21).

7.22 Measures being considered to reduce costs include the following. These are being supported by funding from the business rates pilot:-

(a) Continued development and extension of therapeutic intervention teams by adding a further Multi-Systemic Therapy Child Abuse and Neglect team (now operational); and a Functional Family Therapy Child Welfare team (also now operational). It is expected that these teams will divert 80 children from care per year;

(b) Reducing the use of independent fostering agencies by increasing the number of internal foster carers. We will be reviewing our approach to recruitment, and are targeting a net increase of 10 placements per year;

(c) Continuing to reduce external residential placements: a process of challenge has been introduced by means of a monthly placements panel;

(d) Investigation of options to reduce transport costs and promote independence.

7.23 In 2019/20, the budget will be supported by use of £4.4m of one-off monies held by the department; and a corporate contribution of £3.7m. In addition, estimated business rates pilot income of £2.3m will be made available. The longer-term position will be developed in early 2019, in the light of emerging Government proposals for public spending. Proposals will be shared with the Children, Young People and Schools' Scrutiny Commission as they develop.

8. <u>Corporately held Budgets</u>

8.1 In addition to the service budget ceilings, some budgets are held corporately. These are described below (and shown in the table at paragraph 4).

8.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending. This budget is not controlled to a cash ceiling, and is managed by the Director of Finance. Costs which fall to be met by this budget are driven by the Council's treasury management strategy, which is also on your agenda, and are affected by decisions made by the Director of Finance in implementation of this policy.

8.3 Capital financing costs have reduced significantly from previous years; predominantly, this is the result of implementing a change in the minimum revenue policy provision that the Council is required to set aside to repay debts (in effect, the saving means that debt is being repaid more slowly). This policy was approved by the Council in November 2015, but implementation was deferred until now. In addition, interest on investments is higher due to a combination of higher interest rates and higher cash balances than anticipated.

8.4 A one-off **corporate contingency** of £1m has been created in 2019/20 to manage significant pressures that arise during the year. This is particularly appropriate given the scale of reductions departments are having to make.

8.5 As set out in previous reports, **education funding reforms** have reduced the amount available to support centrally-managed services for schools and pupils, and for higher-needs pupils. These changes have a knock-on impact to general fund budgets. A provision has been made accordingly. (As well as the corporately held budget, some funding is now included in the departmental budget).

8.6 **Miscellaneous central budgets** include external audit fees, pensions costs of some former staff, levy payments to the Environment Agency, bank charges, monies set aside to assist council taxpayers suffering hardship and other sums it is not appropriate to include in service budgets. These budgets are offset by the effect of charges from the general fund to other statutory accounts of the Council (which exceed the miscellaneous costs, but are reducing over time).

9. **Future Provisions**

9.1 This section of the report describes the future provisions shown in the table at paragraph 4 above. These are all indicative figures – budgets for these years will be set in February prior to the year in question.

9.2 The provision for **inflation** includes money for:-

(a) Pay awards in 2020/21 and 2021/22. It is assumed that local funding will be required equivalent to 1% per annum;

(b) A contingency for inflation on running costs for services unable to bear the costs themselves. These are: waste disposal, independent sector residential and domiciliary care, and foster payments.

9.3 A **planning provision** has been set aside to manage uncertainty. Our general policy is to set aside a cumulative £3m per year, each year for the duration of the strategy. This can then be removed in subsequent budget reports, to the extent that it has not been utilised elsewhere. In recent years, it has been used to deal with the impact of education funding reform, and with continuing cost pressures in social care.

10. **Budget and Equalities**

10.1 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.

10.2 In accordance with section 149 of the Equality Act, 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.

10.3 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.

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

10.5 This report seeks approval to the proposed budget strategy. The report sets out financial ceilings for each service which act as maxima above which the City Mayor cannot spend (subject to his power of virement). However, decisions on services to be provided within the budget ceilings are taken by managers or the City Mayor separately from the decision regarding the budget strategy. Therefore, the report does not contain details of specific service proposals. However, the budget strategy does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2019/20 is £1,552.17, an increase of just below 3% compared to 2018/19. 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.

10.6 The 2018/19 budget report noted that disposable income had fallen in real terms due to slow wage growth, welfare changes and inflation. The context has changed slightly over the last year with the ASDA Income Tracker September 2018 highlighting that family spending power is up by an average £7.45 per week year on year in September 2018, an annual increase of 3.8%. Income growth has been boosted across most regions with UK families seeing the fastest pay growth since 2008. Inflation peaked at 3.1% in late 2017, and has now fallen back to 2.1% as measured by the Consumer Price Index (CPI). It is not expected to rise significantly in the short term, although analysts stress the uncertainties caused by Brexit.

10.7 The ASDA income tracker is an indicator of the economic prosperity of 'middle Britain', taking into account income, tax and all basic expenditure. ASDA's customer base matches the UK demographic more closely than that of other supermarkets.

10.8 In most cases, the change in council tax (£0.67/week for a band B property with no discounts) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. 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 differential impact dependent upon a household's disposable income.

10.9 Some households reliant on social security benefits are likely to be adversely affected due to the cumulative impact of further implementation of the Government's welfare reforms, in particular the rollout of Universal Credit full service which was implemented in Leicester in June 2018.

10.10 The Council has a number of mitigating actions in place to provide council tax reductions, exemptions or support for particular groups and some relief in instances of short term financial crisis.

10.11 There are council tax reductions and exemptions available for some individuals from protected characteristic groups, provided they meet certain criteria. Those on low income can qualify for council tax support of up to 80% of council tax (100% for older people).Some people may qualify for a reduction if their home has been specially adapted due to a disability for them or someone who lives with them, if there are severely mentally impaired adults in receipt of particular benefits in the household, and care leavers under 25 years of age who have previously been a resident in a care home or similar facility provided by Leicester City Council.

10.12 Locally, Council services provide (or fund) a holistic safety net including the provision of advice, personal budgeting support, and signposting provision of necessary household items. In particular, the Council provides £500,000 annually in Council Tax Discretionary Relief for households with a low income who are in financial difficulties over and above the council tax support scheme; and also supports Crisis Support Grants covering food, fuel, white goods and essential items through the Community Support Grant scheme. The Council also assists with rent shortfalls in the form of Discretionary Housing Payments (£1.1m in 2018/19). It is important to note that these mitigating actions are now the sole form of safety net support available to households in the city. A House of Commons Works and Pensions Committee report in January 2016 ('The local welfare safety net') described this devolution of discretionary support to those in short term financial crisis to local government. There is now no other source of Government support available.

10.13 Leicester is ranked as the 21st most deprived local authority in the country according to the 2015 Indices of Multiple Deprivation. In addition to provision of a 'local welfare safety net', council services seek to address inequalities of opportunity that contribute to this deprivation. They do this by seeking to improve equality of outcomes for those residents that we can directly support.

10.14 Our Public Sector Equality Duty is a continuing duty, even after decisions have been made and proposals have been implemented. Periodically we review the outcomes of earlier decisions to establish whether mitigating actions have been carried out and the impact they have had. The Council has a legal duty to set a balanced budget. The spending review programme enables us to assess our service provision from the perspective of the needs of individual residents. This "person centred" approach to our decision making ensures that the way we meet residents' needs with reducing resources can be kept under continuous review – in keeping with our Public Sector Equality Duty.

10.15 A key concern in terms of potential for significant equalities implications is the uncertainty and challenges around the funding of Adult Social Care in the long term. In the current financial climate, a lower council tax increase would require even greater cuts to services. While it is not possible to say where these cuts would fall (and therefore which specific groups would be affected), the users of Adult Social Care are mostly older people or, to a lesser extent, adults who have a disability and therefore there are likely to be negative equalities implications arising from a decision to implement a lower council tax increase.

10.16 Where there are changes to policy, service or function in the future, an individual Equalities Impact Assessment will be undertaken to identify the specific equalities impacts and inform the development of proposals, including any mitigating actions where a disproportionate negative impact on a protected characteristic/s is identified.

10.17 An analysis of the impact on protected groups is provided at Appendix Four.

11. Rates Retention scheme and 75% rates pilot

11.1 Since 2013, local government has retained 50% of the rates collected locally, with the other 50% being paid to central government. In Leicester, 1% is paid to the fire authority, and 49% has been retained by the Council. This is known as the "Business Rate Retention Scheme".

11.2 In recognition of the fact that different authorities' ability to raise rates does not correspond to needs, there are additional elements of the business rates retention scheme:

(a) a **top-up to local business rates**, paid to authorities with lower taxbases relative to needs (such as Leicester) and funded by authorities with greater numbers of higher-rated businesses.

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

11.3 The government plans to change the rate retention scheme from 2020/21, with the proportion of rates retained locally increasing to 75% (and other elements of the local government finance system reduced to compensate, so the overall financial effect is neutral).

11.4 In preparation for the introduction of the new scheme, the government sought bids for groups of authorities to become pilot areas for 75% rates retention in 2019/20, ahead of the new system nationally. Leicester and Leicestershire prepared a successful bid, covering the City, County, all seven district councils and the Fire Authority.

11.5 The benefits of the pilot are likely to be an opportunity to influence the Government's thinking, creation of more opportunities for joint working, and an expectation of financial benefit through retaining more rates growth. On initial estimates, the pilot will secure some £16m for the sub-region, although this figure depends on the level of rates income achieved across the pilot area.

11.6 The pilot is governed by an agreement between the authorities involved, which sets out how the additional funds will be used. Each authority will receive at least the same total funding as they would under 50% rates retention. Surpluses are then allocated in order according to the agreement. The first tranche (£7.1m) is to help secure financial sustainability, particularly in children's social care. It is proposed that our estimated share of £2.9m will be used to fund the following, which is reflected in the budget:

- £2.3m for Children's Social Care, which will pay for the initiatives described in paragraph 7.22 above, with the aim of securing longer-term budget savings;
- £0.1m funding for countywide anti-fraud initiatives;
- £0.1m to match-fund One Public Estate;
- £0.2m for the digital transformation team;
- £0.1m to meet pressures on homelessness;
- £0.1m held as a provision towards further joint initiatives with the districts or County council.

11.7 These sums are included in the relevant budget ceilings at Appendix One, where appropriate. If the pilot produces a higher surplus, this will be used towards housing and commercial infrastructure. This will be managed through the capital budget process, and is therefore outside the scope of this report.

11.8 There are risks associated with this funding: if rates income falls across the pilot area, the surplus achieved will be lower, and so will the City's share. However, rates income would need to fall significantly before the predicted surplus will be less than £7.1m.

11.9 Our estimates of rates income take into account the amount of income we believe we will lose as a consequence of successful appeals. The majority of appeals against the 2017 revaluation have not yet been decided, and appeals have been a source of volatility since business rates retention was introduced. Despite Government attempts to reduce this volatility, we have again seen significant losses through appeals in 2018, and this is likely to continue as there are still a large number of outstanding appeals from earlier years (and any successful appeals will be backdated, potentially for several years).

11.10 The final figure for appeals may be higher or lower than the estimate built into the budget. For 2019/20, 49% of this volatility will be borne by the Council directly. A further 25% will affect the calculated surplus for the pilot, and will therefore be spread across the authorities involved (similarly, we will see a share of gains or losses from changes to rates income across the Leicestershire districts).

Funding from 2020/21

11.11 No figures have been made available for local government funding after 2019/20, either nationally or locally. Despite headlines of "the end of austerity", analysis of the Chancellor's October budget statement implies a less optimistic picture. After paying for commitments, including an increase in NHS funding, it appears that the amount available for other unprotected services will be (at best) remaining at its 2019/20 level.

11.12 Further information on future funding levels will be available in the government's Spending Review, due to be published in 2019. This will set out spending totals for government departments for years past 2019/20, but not the funding available to individual local authorities. We do not yet know how many years the Spending Review will cover.

11.13 A reform of local government funding is planned to take effect from April 2020, increasing the proportion of rates retained locally to 75%. In itself, this change should be financially neutral, as the additional business rates income will be offset by the loss of RSG and some other grants. The reforms may also make attempts to cushion some of the volatility arising from appeals at an individual authority level. There is likely to be a more substantial effect on the Council's finances from the "fair funding review" planned for the same date, which will redistribute resources between councils.

11.14 The current funding formula is complex, and has not been updated since 2013. One outcome of the funding review is likely to be a simpler, more up-to-date means of measuring each authority's need to spend. In itself, this should be beneficial to us as it will take into account our rapid population growth in recent years, and should (unlike the current formula) fully reflect the differences in council taxbase between different areas of the country. However, there are other pressures on the limited amount of funding available, including intensive lobbying from some authorities over perceived extra costs in rural areas.

11.15 What we know of the Government's proposals – currently the subject of consultation – suggests that the new system is likely to remove deprivation altogether from the calculation for around a quarter of overall funding. This is intended to cover a variety of "foundation" services including public transport, cultural and leisure services, homelessness and waste management. At the same time, there will be increased weighting given to rural areas. Although detailed figures are not yet available, the combined result of these changes will be a significant shift of funding towards rural areas, and away from comparatively deprived cities such as Leicester.

11.16 In the first few years, the new funding formula is likely to be subject to a significant amount of damping, to protect authorities from a sudden loss of resources. Since the overall funding for local government is fixed, this can only come from reducing the amounts paid to authorities that gain from the new formula. This means the new formula will take some years to be fully implemented.

11.17 The budget assumes (real-terms) cuts of £3m per year in each of 2020/21 and 2021/22, which is significantly less than the cuts seen in recent years. This is a significant risk in the medium-term budget, which is discussed further in paragraph 17 below.

12. Council Tax

12.1 Council tax income is estimated at £114.7m in 2019/20, based on a tax increase of just below 3%, which is the maximum we can increase tax without a referendum. For planning purposes, tax increases of 2% per year have been assumed in each of 2020/21 and 2021/22.

12.2 Since 2016/17, social care authorities have been given additional flexibility (the "social care precept") to help mitigate the growing costs of social care. We have already used our maximum social care flexibility and therefore cannot increase tax beyond 3% in 2019/20.

12.3 Council tax income includes the additional revenue raised from the Empty Homes Premium, which increases the charge by 50% for a property left empty for more than six months. From April 2019, the premium will be increased to 100%, as determined by Council in November.

13. Collection Fund Surpluses / Deficits

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

13.2 The Council has an estimated **council tax collection fund surplus** of £1.5m, after allowing for shares paid to the police and fire authorities. This has arisen because of growth in the number of homes liable to pay tax (which has been greater than was assumed when the budget was set) and a reduction in the costs of the council tax support scheme, linked to improvements in the local economy.

13.3 The Council has an estimated **business rates collection fund deficit** of £3.6m. This is due to the cost of appeals, particularly a larger than anticipated rates reduction on a large property in the city that has been backdated to 2005, and the effect of a recent ruling on the rates chargeable on ATM machines.

14. Other government grants

14.1 The Government also controls a range of other grants. With the exception of New Homes Bonus and Adult Social Care Grant, these are not shown in the table at paragraph 4.1, as they are treated as income to departments (departmental budgets are consequently lower than they would have been).

14.2 These other grants include:-

(a) **New Homes Bonus (NHB)**. This is a grant which roughly matches the council tax payable on new homes, and homes which have ceased to be empty on a long term basis. The future of NHB beyond 2019/20 is in doubt, and it may be rolled into the new business rates retention scheme.

(b) **Dedicated Schools Grant** (DSG), which funds schools' own spending and a range of education-related central services, was reformed in 2018/19, leading to a reduction in the funding available for school improvement and SEN support services provided centrally.

(c) The **Better Care Fund** has increased nationally, and the city will receive £15.5m in 2019/20. The increase has been termed the "Improved Better Care Fund" (iBCF). iBCF is not entirely new money – some is being met from cuts to NHB, and from a reduction in the amount available for RSG. The future of the entire BCF after 2019/20 is unclear.

(d) Additional funding to support **Adult Social Care** has been made available each year since 2017/18, although this has been as a series of one-off allocations rather than a stable funding stream. A further £650 million nationally will be available in 2019/20; our share of this funding is £4.3m.

15. General Reserves and the Managed Reserves Strategy

15.1 In the current climate, it is essential that the Council maintains reserves to deal with the unexpected. This might include continued spending pressures in demand led services, or further unexpected Government grant cuts.

15.2 The Council has agreed to maintain a minimum balance of £15m of reserves. The Council also has a number of earmarked reserves, which are further discussed in section 16 below.

15.3 In the 2013/14 budget strategy, the Council approved the adoption of a managed reserves strategy. This involved contributing money to reserves in 2013/14 to 2015/16, and drawing down reserves in later years. This policy has bought time to more fully consider how to make the substantial cuts which are necessary. Since 2016/17, these reserves have been drawn down to balance the budget, although some remain to support 2019/20 and 2020/21.

15.4 The managed reserves strategy will be extended as far as we can: the rolling programme of spending reviews enables any in-year savings to extend the strategy. Additional money has been made available since the 2018/19 budget was set, and future reviews should enable further contributions to be made. Given the uncertainty around future funding, it is essential that these reviews are implemented promptly to ensure that managed reserves are available to mitigate the medium-term funding risks.

15.5 The table below shows the forecast reserves available to support the managed reserves strategy:-

	2018/19 £m	2019/20 £m
Brought forward	21.8	19.7
Additional savings in year	3.4	
Earmarked reserves review	1.4	
Other provisions review	3.3	
Planned use	(10.2)	(1.8)
Carried forward	**19.7**	**17.9**

15.6 The Council has recently secured a retrospective refund of VAT amounting to £2.5m and a one-off distribution of £1.5m arising from the Government allocating sums formerly top-sliced from national grant. These sums are presently being retained in case they are needed to match fund a £10m “Transforming Cities” bid, for which we are one of 10 shortlisted areas. The bid is for public transport, cycling and walking projects that contribute to the local economy, cut congestion and improve air quality.

15.7 In the budget monitoring report for period 6, the intention of reducing capital financing charges in 2018/19 was noted. This will be considered further at outturn. If approved, there will be a further one-off saving (not reflected in the figures above).

16. Earmarked Reserves

16.1 In addition to the general reserves, the Council also holds earmarked reserves which are set aside for specific purposes. A schedule is provided at Appendix Five.

16.2 Earmarked reserves are kept under review, and amounts which are no longer needed for their original purpose will be used to extend the managed reserves strategy. The most recent review took place after the close of the 2017/18 financial year, and identified £1.4m of reserves that could be used for this purpose.

16.3 The 2019/20 budget also proposes using the Demographic Pressures reserve of £3.5m to support the budget. This reserve was established from savings in Adult Social Care in previous years, to help cushion the ongoing increases in care costs due to an ageing and higher-needs population.

16.4 In addition, provisions and other amounts set aside have been reviewed. A provision of £3.3m for pay due to carers on sleep-in duties is not now required, following more recent legal developments, and this amount will be transferred to managed reserves.

17. Risk Assessment and Adequacy of Estimates

17.1 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.

17.2 In the current climate, it is inevitable that the budget carries significant risk.

17.3 In my view, although very difficult, the budget for 2019/20 is achievable subject to the risks and issues described below.

17.4 There are risks in the 2019/20 budget arising from:-

(a) Social care spending pressures - specifically the risks of further growth in the cost of care packages above budget assumptions, risks to our BCF income due to government expectations (particularly relating to delayed transfers of care) and inability to contain the costs of looked after children;

(b) Ensuring spending reviews which have already been approved, but not yet implemented, deliver the required savings;

(c) Achievability of estimated rates income (although technically any shortfall will appear as a collection fund deficit in the 2020/21 budget), and particularly the extent of successful appeals against the 2017 revaluations;

(d) Achievement of rates income county-wide, affecting the estimated pilot surplus (although this will also appear as a deficit in 2020/21).

17.5 From 2020/21 and beyond, the budget projections are particularly uncertain. Risks to a balanced budget in these years include:-

(a) Non-achievement, or delayed achievement, of the remaining spending review savings; and/or further budget pressures within service departments meaning that any savings achieved cannot be used to reduce the overall budget gap;

(b) The considerable task facing Children's Services to balance its budget in the medium term;

(c) Loss of future resources. The funding landscape after 2019/20 is largely unknown, with the move to 75% business rates retention and the planned needs review (which could result in a gain or loss to the Council). The risk of further cuts to funding in 2020/21 and 2021/22 is significant;

(d) Longer-term reforms to social care funding and expectations on local authorities, and the need to manage ongoing demographic pressures. Crucially, we need to know what additional funding the Government will make available after 2019/20;

(e) Continuing increases in pay costs. Upward pressures may lead to pay increases above the amount provided in the budget. Each 1% on pay costs around £1.7 million in direct costs, and will also impact on contract costs, particularly in Adult Social Care.

17.6 A further risk is economic downturn, nationally or locally. This could result in new cuts to grant; falling business rate income; and increased cost of council tax reductions for taxpayers on low incomes. It could also lead to a growing need for council services and an increase in bad debts. The effect of Brexit remains to be seen.

17.7 The budget seeks to manage these risks as follows:-

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

(b) A one-off corporate contingency of £1m is included in the budget for 2019/20;

(c) A planning contingency is included in the budget from 2020/21 onwards (£3m per annum accumulating);

(d) Spending Review savings are being implemented as soon as possible, and the resulting savings "banked" to support future budgets.

17.8 Subject to the above comments, I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust. (Whilst no inflation is provided for the generality of running costs in 2019/20, some exceptions are made, and it is believed that services will be able to manage without an allocation).

18. **Consultation on the Draft Budget**

18.1 Comments on the draft budget have been sought from:

(a) The Council's scrutiny function;
(b) Key partners and other representatives of communities of interest;
(c) Business community representatives (a statutory consultee);
(d) The Council's trade unions.

18.2 Comments received are summarised at Appendix Six. Scrutiny minutes will be circulated separately with your agenda.

19. **Capital Strategy**

19.1 There is a new 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.

19.2 The proposed capital strategy is set out at Appendix Three. This also includes the policy on repaying debt and the prudential indicators which assess the affordability of new borrowing.

19.3 The capital strategy also fully implements the minimum revenue provision (MRP) policy approved in November 2015. In previous years, this has not been fully implemented as we have voluntarily set aside additional funds for debt repayment.

19.4 The new policy will make substantial savings against the revenue budget (in excess of £6 million per year in 2019/20 and 2020/21), although these are paper rather than real savings – they result from a slower repayment of historic debt. Members are also asked to note that the savings will tail off gradually in subsequent years.

20. Financial Implications

20.1 This report is exclusively concerned with financial issues.

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

21. Legal Implications (Kamal Adatia)

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

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

21.3 As well as detailing the recommended council tax increase for 2019/20, the report also complies with the following statutory requirements:-

(a) Robustness of the estimates made for the purposes of the calculations;

(b) Adequacy of reserves;

(c) The requirement to set a balanced budget.

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

21.5 The discharge of the 'function' of setting a budget triggers the duty in s.149 of the Equality Act, 2010, for the Council to have "due regard" to its public sector equality duties. These are set out in paragraph 10. There are considered to be no specific proposals within this year's budget that could result in new changes of provision that could affect different groups of people sharing protected characteristics. As a consequence, there are no service-specific 'impact assessments' that accompany the budget. There is no requirement in law to undertake equality impact assessments as the only means to discharge the s.149 duty to have "due regard". The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed case law is clear that undertaking an EIA on an 'envelope-setting' budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed. However, an analysis of equality impacts has been prepared in respect of the proposed increase in council tax, and this is set out in Appendix Four.

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

22. Other Implications

Other Implications	Yes/No	Paragraph References within the report
Equal Opportunities	Y	Paragraph 10
Policy	Y	The budget sets financial envelopes within which Council policy is delivered
Sustainable and Environmental	N	The budget is a set of financial envelopes within which service policy decisions are taken. The proposed 2019/20 budget reflects existing service policy.
Crime & Disorder	N	
Human Rights Act	N	
Elderly People/People on Low Income	N	

Background information relevant to this report is already in the public domain.

23. Report Authors

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Appendix One

Budget Ceilings

	Revised 2018/19 budget £000s	Spending Reviews £000s	Inflation £000s	One-off funding in budget £000s	Other changes £000s	BUDGET CEILING 2019/20 £000s
1. City Development & Neighbourhoods						
1.1 Neighbourhood & Environmental Services						
Divisional Management	**370.1**	(4.9)	6.4			**371.6**
Regulatory Services	**3,192.5**	(4.2)	82.2			**3,270.5**
Waste Management	**16,776.5**	(0.1)	547.5			**17,323.9**
Parks & Open Spaces	**3,780.4**	(319.0)	267.7			**3,729.1**
Neighbourhood Services	**5,427.2**	(66.8)	105.1			**5,465.5**
Standards & Development	**1,384.6**	(28.0)	55.3			**1,411.9**
Divisional sub-total	**30,931.3**	**(423.0)**	**1,064.2**	**0.0**	**0.0**	**31,572.5**
1.2 Tourism, Culture & Inward Investment						
Arts & Museums	**4,438.7**	(100.1)	62.2			**4,400.8**
De Montfort Hall	**866.7**	(281.3)	54.2			**639.6**
City Centre	**99.4**		3.4			**102.8**
Place Marketing Organisation	**394.2**		4.1			**398.3**
Economic Development	**258.3**	(71.7)	29.8			**216.4**
Markets	**(341.1)**	(3.7)	15.5			**(329.3)**
Divisional Management	**73.7**	155.3	3.9			**232.9**
Divisional sub-total	**5,789.9**	**(301.5)**	**173.1**	**0.0**	**0.0**	**5,661.5**
1.3 Planning, Development & Transportation						
Transport Strategy	**9,956.4**	(2.5)	70.1			**10,024.0**
Highways	**4,738.6**	(101.6)	106.5		(315.7)	**4,427.8**
Planning	**924.9**		52.5			**977.4**
Divisional Management	**210.3**	(6.7)	4.3			**207.9**
Divisional sub-total	**15,830.2**	**(110.8)**	**233.4**	**0.0**	**(315.7)**	**15,637.1**
1.4 Estates & Building Services	**5,253.8**	**(1,195.6)**	**211.9**	**100.0**	**0.0**	**4,370.1**
1.5 Housing Services	**3,325.7**	**(312.1)**	**126.1**	**0.0**	**(122.8)**	**3,016.9**
1.6 Departmental Overheads						
Adult Skills	**(870.4)**					**(870.4)**
School Organisation & Admissions	**790.2**		31.0			**821.2**
Overheads	**629.8**	(0.1)	3.5			**633.2**
Divisional sub-total	**549.6**	**(0.1)**	**34.5**	**0.0**	**0.0**	**584.0**
DEPARTMENTAL TOTAL	**61,680.5**	**(2,343.1)**	**1,843.2**	**100.0**	**(438.5)**	**60,842.1**

Appendix One

	Revised 2018/19 budget £000s	Spending Reviews £000s	Inflation £000s	One-off funding in budget £000s	Other changes £000s	BUDGET CEILING 2019/20 £000s
2.Adults						
2.1 Adult Social Care & Safeguarding						
Other Management & support	**604.6**	(1.0)	47.5			**651.1**
Safeguarding	**107.3**	(0.1)	4.1			**111.3**
Preventative Services	**5,879.4**	(9.2)	145.7			**6,015.9**
Independent Sector Care Package Costs	**89,400.5**	(400.0)	1,878.8		5,968.0	**96,847.3**
Care Management (Localities)	**6,656.3**	(4.6)	150.9			**6,802.6**
Divisional sub-total	**102,648.1**	**(414.9)**	**2,227.0**	**0.0**	**5,968.0**	**110,428.2**
2.2 Adult Social Care & Commissioning						
Enablement & Day Care	**3,046.7**	(162.4)	102.1			**2,986.4**
Care Management (LD & AMH)	**4,741.7**	(6.6)	101.2			**4,836.3**
Preventative Services	**2,919.1**	(650.7)	3.0			**2,271.4**
Contracts,Commissioning & Other Suppo	**4,672.1**	(0.1)	80.9		(200.0)	**4,552.9**
Substance Misuse	**5,559.7**					**5,559.7**
Departmental	**(19,576.2)**	(0.1)	11.1	570.0	(1,782.5)	**(20,777.7)**
Divisional sub-total	**1,363.1**	**(819.9)**	**298.3**	**570.0**	**(1,982.5)**	**(571.0)**
2.3 Health and Wellbeing						
Adults' Services	**4,805.6**	(555.0)				**4,250.6**
Children's 0-19 Services	**9,267.5**	(250.0)				**9,017.5**
Lifestyle Services	**1,855.0**	(605.0)	9.2			**1,259.2**
Staffing, Infrastructure & Other	**1,331.2**		27.8			**1,359.0**
Sports Services	**2,811.4**	(250.1)	200.3			**2,761.6**
Divisional sub-total	**20,070.7**	**(1,660.1)**	**237.3**	**0.0**	**0.0**	**18,647.9**
DEPARTMENTAL TOTAL	**124,081.9**	**(2,894.9)**	**2,762.6**	**570.0**	**3,985.5**	**128,505.1**

Appendix One

	Revised 2018/19 budget £000s	Spending Reviews £000s	Inflation £000s	One-off funding in budget £000s	Other changes £000s	BUDGET CEILING 2019/20 £000s
3. Education & Children's Services						
3.1 Strategic Commissioning & Business Suppo	**706.2**	**0.0**	**17.1**	**0.0**	**0.0**	**723.3**
3.2 Learning Quality & Performance						
Raising Achievement	**1,472.0**	(4.1)	29.9			**1,497.8**
Learning & Inclusion	**1,835.2**		49.6			**1,884.8**
Special Education Needs and Disabilities	**7,341.4**		72.5			**7,413.9**
Divisional sub-total	**10,648.6**	**(4.1)**	**152.0**	**0.0**	**0.0**	**10,796.5**
3.3 Children, Young People and Families						
Children In Need	**9,124.3**	(19.7)	140.0			**9,244.6**
Looked After Children	**35,393.5**		433.4	6,000.0		**41,826.9**
Safeguarding & QA	**2,475.9**		56.0			**2,531.9**
Early Help Targeted Services	**5,131.4**		120.7			**5,252.1**
Early Help Specialist Services	**2,520.8**		90.5			**2,611.3**
Divisional sub-total	**54,645.9**	**(19.7)**	**840.6**	**6,000.0**	**0.0**	**61,466.8**
3.4 Departmental Resources						
Departmental Resources	**(2,107.3)**		11.1		(342.1)	**(2,438.3)**
Education Services Grant	**(1,694.0)**					**(1,694.0)**
Divisional sub-total	**(3,801.3)**	**0.0**	**11.1**	**0.0**	**(342.1)**	**(4,132.3)**
DEPARTMENTAL TOTAL	**62,199.4**	**(23.8)**	**1,020.8**	**6,000.0**	**(342.1)**	**68,854.3**
4. Corporate Resources Department						
4.1 Delivery, Communications & Political Gov	**5,765.1**	**(1.1)**	**124.2**	**0.0**	**0.0**	**5,888.2**
4.2 Financial Services						
Financial Support	**4,792.0**	(3.6)	145.1			**4,933.5**
Revenues & Benefits	**5,870.3**		206.5	100.0		**6,176.8**
Divisional sub-total	**10,662.3**	**(3.6)**	**351.6**	**100.0**	**0.0**	**11,110.3**
4.3 Human Resources	**3,842.5**	**(1.1)**	**99.9**	**0.0**	**0.0**	**3,941.3**
4.4 Information Services	**9,279.5**	**(750.4)**	**109.8**	**0.0**	**0.0**	**8,638.9**
4.5 Legal Services	**2,628.5**	**(0.3)**	**98.8**	**0.0**	**0.0**	**2,727.0**
DEPARTMENTAL TOTAL	**32,177.9**	**(756.5)**	**784.3**	**100.0**	**0.0**	**32,305.7**
TOTAL -Service Budget Ceilings	**280,139.7**	**(6,018.3)**	**6,410.9**	**6,770.0**	**3,204.9**	**290,507.2**
less public health grant	**(26,804.0)**	**0.0**	**0.0**		**701.0**	**(26,103.0)**
NET TOTAL	**253,335.7**	**(6,018.3)**	**6,410.9**	**6,770.0**	**3,905.9**	**264,404.2**

Appendix Two

Scheme of Virement

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

Budget Ceilings

2. Strategic 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. Strategic 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. Strategic 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 City Mayor may determine the use of the corporate contingency;

   (c) the City Mayor may determine the use of the provision for Education Funding reform.

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. Strategic directors may add sums to an earmarked reserve, from:

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

    (b) a carry forward reserve, subject to the usual requirement for a business case.

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

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

Appendix Three

Proposed Capital Strategy

. **Introduction**

1.1 There is a new 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, outside the vicinity of the Council concerned (something the City Council has never done).

1.2 There is also a new 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 new investment strategy is presented as a separate report on your agenda.

1.3 This appendix sets out the proposed capital strategy for the Council's approval. It incorporates our policy on repaying debt, which used to be approved separately.

2. **Capital Expenditure**

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

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

(b) The Housing Revenue Account (HRA) capital programme – as this is funded primarily from revenue, it is considered as part of the HRA budget strategy which is submitted each year.

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 do, of course, still want to make sure that the overall budget is not going to be exceeded;

(b) **Work Programmes** – these are minor works or similar schemes where there is an allocation of money to be spent in a particular year. The focus of monitoring is on whether the money is spent in the years for which it is approved;

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

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

2.6 The authority does not capitalise expenditure, except where it can do so in compliance with proper practices: it does not apply for directions to capitalise revenue expenditure.

2.7 Past and forecast capital expenditure is:

Area of expenditure	**2018/19 Estimate £000s**	**2019/20 Estimate £000s**
Children's Services	41,938	60,550
Young People	20	20
Resources ICT	1,866	807
Transport	34,250	27,588
Cultural & Neighbourhood Services	11,893	8,984
Environmental Services	379	0
Economic Regeneration	31,472	21,952
Adult Care	1,967	9,924
Public Health	1,808	1,811
Property	4,853	2,995
Vehicles	198	0
Housing Strategy & Options	1,970	17,045
Corporate Loans	0	0
Total General Fund	**132,614**	**151,676**
Housing Revenue Account	16,373	31,040
Total	**148,987**	**182,716**

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

2.9 The Housing Division provides management of tenanted dwellings. As the HRA capital programme is almost entirely funded from tenants' rents, both major and minor repairs are (directly or indirectly) met 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 2030	40 years / 30 years
Central Heating Boiler	Based on assessed condition	15 years (future life span of new boilers is expected to be on average 12 years)
Chimney	Based on assessed condition	50 years
Windows & Doors	Based on assessed condition	40 years
Electrics	Every 30 years	30 years
Kitchen	All properties to have an upgraded kitchen by 2030	30 years / 20 years
Roof	Based on assessed condition	50 years (20 years for flat roofs)
Wall finish (external)	Based on assessed condition	80 years
Wall structure	Based on assessed condition	60 years

3. Financing Capital Expenditure

3.1 Most capital expenditure of the Council is financed as soon as it is spent (by using grants, capital receipts, revenue budgets or the capital fund). The Council will only incur spending which cannot be financed in this way in strictly limited circumstances. Such spending is termed "prudential borrowing" as we are able to borrow money to pay for it. (The treasury management strategy explains why in practice we don't need to borrow on the external market: we must still, however, account for it as borrowing and make "repayments" from revenue each year). Circumstances in which the Council will use "prudential borrowing" are:-

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

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

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

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

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

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

	2018/19 Estimate £m	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**
HRA	210	210	209	209
General Fund	260	255	248	241

(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 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 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, a time period consistent with the business plan (and formal guidance) will be employed. Share capital has a maximum "life" of 20 years.

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

4.11 Voluntary set aside has been made in past years, in line with approved budget strategies. Prior to 2015/16, the Council had a policy requiring higher sums to be set aside than the current policy requires. In November 2015, the policy was changed by the Council to one which is essentially the one stated above. Subsequent budgets, however, deliberately topped up the amount of repayment to previous levels. In this way, the Council postponed potential budget savings until Government grant cuts made implementation essential (after all, the "budget savings" only arise from slower payment of debt). As a consequence, the Council has set aside (cumulatively) £17m more than the amount determined by the policy approved in 2015.

4.12 The law permits the Council to "claim back" sums set aside voluntarily in previous years by reducing subsequent years' debt repayment. The Council will only do this in the following circumstances:-

(a) To support the Council's treasury management strategy. For instance, using these sums gives the Council access to a wider pool of collective property investments than we could otherwise use because of accounting restrictions (and hence access to better investment opportunities);

(b) For the acquisition of other investments permitted by the investments strategy, where it is appropriate to capitalise spending so that revenue savings can be delivered immediately.

4.13 Once investments acquired through sums "claimed back" are redeemed, the receipt will be set aside again for debt repayment.

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

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

	2019/20 %	**2020/21 %**	**2021/22 %**
General Fund	2.1	2.3	2.3
HRA	10.1	10.0	9.9

5. **Commercial Activity**

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

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

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

(c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example might be a joint investment in solar panels, 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 would, 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.

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.

Appendix Four

Equality Impact Assessment

1. Purpose

1.1 The purpose of this appendix is to present the equalities impact of the proposed 2.99% council tax increase. This is the maximum increase that the Government will allow us without a referendum

2. Who is affected by the proposal?

2.1 Since April 2013, as a consequence of the Government's welfare reforms, all working age households in Leicester have been 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.

2.2 NOMIS[2] figures for the city (September 2018) indicate that, of the 234,000 working-age residents, 157,300 (67%) are in employment. The 33% not in employment include the unemployed, students, those unable to work through sickness or disability. The working age population is inclusive of all protected characteristics. In 2016 (the most recent data available) there were 30,000 working age benefit claimants, although it is likely this number has now changed. Benefit claimants include people in work as well as people out of work.

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.

3.2 For band B properties (almost 80% of the city's properties are in bands A or B), the proposed annual increase in council tax is £35.15; the minimum annual increase for households eligible under the CTSS would be £7.03.

Band	No. of Households	Weekly Increase	Maximum Relief (80%)	Minimum Weekly Increase
A-	276	£0.48	£0.39	£0.10
A	76,105	£0.58	£0.46	£0.12
B	25,090	£0.67	£0.54	£0.13
C	14,544	£0.77	£0.54	£0.23
D	6,074	£0.87	£0.54	£0.33
E	3,277	£1.06	£0.54	£0.52
F	1,476	£1.25	£0.54	£0.71
G	581	£1.44	£0.54	£0.91
H	36	£1.73	£0.54	£1.19
Total	**127,459**			

NB: "A-" properties refer to band A properties receiving an extra reduction for Disabled Relief

[2] NOMIS is an Office for National Statistics web based service that provides free UK labour market statistics from official sources.

4. Risks over the coming year

4.1 As predicted in the previous year's report (2018/19) inflation has fallen. It peaked at 3.1% in late 2017 and has now fallen back to 2.1% which has had a positive impact on disposable income. However, although inflation is not expected to rise significantly in the short term, analysts have stressed that the uncertainties caused by Brexit could pose a risk. In addition, the 2018 update of the Joseph Rowntree Foundation's Minimum Income Standard (MIS) highlights that over the last decade there have been significant increases in domestic fuel costs and increase in transport costs impacting those reliant on public transport, particularly those of working age who commute. These essential costs are likely to impact most on low income households, particularly if their access to technology is limited as they may be less able to take advantage of price comparisons to shop around for competitive prices.

4.2 Previous analyses have concluded that groups particularly adversely affected by welfare reforms include lone parents, families with three or more children, and households with a disabled member. It is unclear how these will have changed following more recent announcements of changes to welfare policy (e.g. changes to the two-child limit for support).

5. Overall impact

5.1 Any increased costs will be a problem for some households with limited incomes, as they could be squeezed by welfare reforms alongside inflationary increases of many basic requirements such as household fuel and transport.

5.2 The weekly increase in council tax, however, is small for many of these households, as can be seen from the table above. It must also be taken into account there are also potential equalities implications in the event that a decision were made to not increase Council Tax or to agree a lower council tax increase. In the current financial context, this would require even greater cuts to services, which may disproportionately affect protected groups.

6. Mitigating actions

6.1 For residents likely to experience short term financial crises as a result of the cumulative impacts of the above risks, the Council has a range of mitigating actions as described in the report. These include: funding through Discretionary Housing Payments; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the council's or partners' food banks; through schemes which support people getting into work (and include cost reducing initiatives that address high transport costs such as providing recycled bicycles); and through support to social welfare advice services.

7. What protected characteristics are affected?

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

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

Analysis of impact based on protected characteristic

Protected characteristic	Impact of proposal:	Risk of negative impact:	Mitigating actions:
Age	Older people are least affected by a potential increase in council tax. Older people (pension age & older) have been relatively protected from the impacts of the recession & welfare cuts, as they receive protection from inflation in the uprating of state pensions. Low-income pensioners also have more generous (up to 100%) council tax relief. However, in the current financial climate, a lower council tax increase would require even greater cuts to services. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as older people are the primary service users of Adult Social Care. Working age people bear the brunt of the impacts of welfare reform reductions – particularly those with children. Whilst an increasing proportion of working age residents are in work, national research indicates that those on low wages are failing to get the anticipated uplift of the National Living Wage.	Working age households and families with children – incomes squeezed through low wages and reducing levels of benefit income.	Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on managing household budgets.
Disability	Disability benefits have been reduced over time as thresholds for support have increased. The tax increase could have an impact on such household incomes. However, in the current financial climate, a lower council tax increase would require even greater cuts to services. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as disabled people are more likely to be service users of Adult Social Care.	Further erode quality of life being experienced by disabled people as their household incomes are squeezed further as a result of reduced benefits.	Disability benefits are disregarded in the assessment of need for CTSS purposes. Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets.
Gender Reassignment	No disproportionate impact is attributable specifically to this characteristic.		
Pregnancy and Maternity	Maternity benefits will not be frozen and therefore kept in line with inflation. However, other social security benefits will be frozen, but without disproportionate impact arising for this specific protected characteristic.		

Race	Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some BME people are also low income and on benefits. Nationally, one-earner couples have seen particular falls in real income and are disproportionately of Asian background – which suggests an increasing impact on this group.	Household income being further squeezed through low wages and reducing levels of benefit income.	Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Where required, interpretation and translation will be provided in line with the Council's policy to remove barriers to accessing the support identified.
Religion or Belief	No disproportionate impact is attributable specifically to this characteristic.		
Sex	Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents. Previous analysis has identified lone parents as a group particularly likely to lose income from welfare reforms (although this will have changed following more recent policy announcements).	Incomes squeezed through low wages and reducing levels of benefit income. Increased risk for women as they are more likely to be lone parents.	If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources. Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets.
Sexual Orientation	No disproportionate impact is attributable specifically to this characteristic.		

Appendix Five

Earmarked Reserves

1. Earmarked reserves as reported to Overview Select Committee in September 2018 were as follows. These figures take account of the release of £1.4m from departmental reserves to support the managed reserves strategy:

	Current Balance £k
Departmental Reserves	
Adult Social Care	5,244
Children's Services	1,127
City Development & Neighbourhoods	1,117
Housing (non HRA)	843
Health & Wellbeing	1,471
Delivery Communications & Political Governance	5,136
ICT	3,769
Financial Services	3,710
Other Corporate Resources Department	1,257
Subtotal – departmental	**23,673**
Corporate Reserves	
Managed Reserves Strategy	21,824
Demographic Pressures Reserve	3,455
BSF Financing	11,533
Capital Programme Reserve	41,395
Severance fund	7,265
Insurance Fund	9,099
Service Transformation	6,087
Welfare Reform	3,789
Other corporate reserves	4,015
Subtotal – Corporate	**108,463**
Ringfenced Reserves	
NHS Joint Working Projects	1,769
Public Health Transformation	1,668
School Capital Fund	2,383
Schools Buyback	1,073
Dedicated Schools Grant not delegated to schools	15,783
School & PRU balances	12,009
TOTAL RINGFENCED	**34,686**
Total earmarked reserves	**166,823**

2. Earmarked reserves can be broadly divided into ring-fenced reserves, which are funds held by the Council but for which we have obligations to other partners or organisations; departmental reserves, which are held for specific services; and corporate reserves, which are held for purposes applicable to the organisation as a whole.

3. Ring-fenced reserves include:-

- **NHS joint working projects:** for joint projects with the NHS;
- **Public Health Transformation:** for costs of relocating sexual health clinic, service transformation and channel shift;
- Amounts originating from **Dedicated Schools Grant** which are, by, law, ring-fenced to schools or relevant non-delegated functions.

4. Departmental reserves include amounts held by service departments to fund specific projects or identified service pressures. Significant amounts include:-

- **Adult Social Care:** to meet budget pressures and balance the budget in 2018/19 and 2019/20;
- **Children's Services:** to balance the budget in 2018/19;
- **City Development and Neighbourhoods:** to meet known additional pressures, including one off costs associated with highways functions and the cost of defending planning decisions;
- **Housing:** to meet spikes in bed & breakfast costs; sourcing private sector landlords; costs associated with economic migrants; and for development work associated with a subsidiary housing company;
- **Health & Wellbeing:** to support service pressures, channel shift and transitional costs;
- **Delivery, Communications & Political Governance:** principally for expenditure incurred to retain the Digital Transformation team until 2020/21, temporary and one-off staffing costs in HR/Payroll, costs associated with the Hinckley Road fire, and for future elections.
- **ICT:** rolling funds for network and server upgrades, mobile airtime and upgrade of the PC Stock;
- **Financial Services:** for expenditure on replacing the Council's main finance system; funding the Service Analysis Team; transitional costs associated with the transfer of the audit function to the County Council; spikes in benefit processing and overpayment recovery; and to mitigate budget pressures including reducing grant income to the Revenues & Benefits service.

5. Corporate reserves include:-

- **Managed Reserves Strategy:** a key element to delivering this budget strategy, as set out in para. 15 of this report;
- **Demographic Pressures**: to help meet cost of demographic changes in adult social care, and reduce the burden on council tax payers – now used as part of the 2019/20 budget strategy;
- **BSF Financing:** to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the redeveloped schools;

- **Capital Programme Reserve:** to support approved spending on the Council's capital programme. This is committed to meet the costs of the 2018/19 and 2019/20 capital programme;
- **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other costs arising from budget cuts;
- **Insurance Fund:** to meet the cost of claims which are self-insured;
- **Service Transformation Fund:** to fund projects which redesign services enabling them to function effectively at reduced cost;
- **Welfare Reform:** set aside to support welfare claimants who face crisis, following the withdrawal of government funding for this purpose;
- **Other reserves:** includes monies for spend to save schemes that reduce energy consumption, the combined heat and power reserve, and the surplus property reserve to prepare assets for disposal.

Appendix Six

Comments from Partners

1. Fewer comments have been received than in previous years. Comments from scrutiny committees will be circulated with your agenda.

2. The **New Parks Community Panel** expressed their support for the proposals.

3. The **Older People's Forum** noted the draft budget report and recognised the financial pressures that the Council was currently enduring.

4. The **Tenants' and Leaseholders Forum** made comments in support of the increase to the empty property premium; and expressed concern that housing replacement criteria, as set out in the Capital Strategy, were not being met.

RECORD OF DECISION BY CITY MAYOR OR INDIVIDUAL EXECUTIVE MEMBER

1.	**DECISION TITLE**	Recommendation of General Fund Revenue Budget 2019/20.
2.	**DECLARATIONS OF INTEREST**	None.
3.	**DATE OF DECISION**	12 February 2019
4.	**DECISION MAKER**	City Mayor
5.	**DECISION TAKEN**	1. To thank scrutiny committees and partners who have considered our draft budget. 2. In response to comments made:- a) As the Council is well aware, our financial position is severe as a consequence of Government cuts, and this is the context to our budget. I am therefore very grateful to OSC for supporting the budget proposals; b) I share the concerns of scrutiny committees and others about the inadequacy of funding for social care, and the financial pressures facing the budget more generally. I endorse the proposal of the Adult Social Care Scrutiny Commission to write to the Secretary of State and our M.P.s regarding social care funding. I will be responding to the Government's consultation on the Fair Funding Review, making it plain that any further redirection of resources from urban to rural areas is completely unacceptable. 3. To note the equality assessment of the proposed tax rise and (in the light of the findings and having regard to the implications)

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		to recommend the budget and tax rise to the Council as proposed in the report; 4. To ask the Director of Finance to prepare the formal budget resolution for 2019/20, referred to in Section 3 of the Council report.
6.	**REASON FOR DECISION**	The revenue budget forms part of the budget and policy framework. Its approval is the responsibility of the full Council; the City Mayor is responsible for the preparation of a proposal for Council consideration. A draft budget was published on 11th December, and a formal decision to that effect was made by the City Mayor. The budget was considered by a number of scrutiny commissions, whose comments were considered by Overview Select Committee on 7th February. Minutes of the commissions and Overview Select Committee will be circulated to Council members with the budget report.
7.	**a) KEY DECISION – Y/N?** **b)** If yes, was it published 5 clear days in advance? Y/N	a) No.
8.	**OPTIONS CONSIDERED**	Not applicable.
9.	**DEADLINE FOR CALL-IN** • 5 Members of a Scrutiny Commission or any 5 Councillors can ask for the decision to be called-in. • Notification of Call-In with reasons must be made to the Monitoring Officer.	Not applicable.
10.	**SIGNATURE OF DECISION MAKER** (City Mayor or where delegated by the City Mayor, name of Executive Member).	

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Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 7 FEBRUARY 2019 at 5:30 pm

PRESENT:

Councillor Singh (Chair)
Councillor Govind (Vice Chair)

Councillor Bajaj
Councillor Cleaver
Councillor Cutkelvin
Councillor Dawood
Councillor Gugnani
Councillor Khote
Councillor Porter

Also present:

Sir Peter Soulsby — City Mayor

Youth Council Representative

Gary Concepcion

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67. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Grant and Westley.

68. DECLARATIONS OF INTEREST

Councillor Bajaj declared that he had received representations in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road. Councillor Bajaj had been invited to attend the Centre and had been given a meal of rice, curry and juice.

Councillor Porter declared that he had received representations in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road. Councillor Porter declared that he had been invited to attend the Centre where he been given a hot meal and he had also signed the petition.

The City Mayor said that in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road, he had been invited to the Centre and had been given a hot meal.

Further to these declarations, it was confirmed that all the remaining Members of the Committee had been lobbied in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road.

It was noted for the avoidance of doubt, that Councillors Govind, Khote and Cutkelvin were members of the Planning and Development Control Committee and the Chair reminded Members that the decision on the Traffic Regulation Order would be delegated to the Director of Planning, Development and Transportation. The Traffic Regulation Order would be brought to the Planning and Development Control Committee to allow Members to make comments for the Director to take into consideration when he made his decision.

77. GENERAL FUND REVENUE BUDGET 2019-2020 TO 2021- 2022

The Director of Finance submitted the Draft General Fund Revenue Budget 2019/20 to 2021/22. Members were asked to comment on the Draft Budget, prior to its consideration at the meeting of Council on 20 February 2019.

The Chair introduced the budget and explained that people were living in times of austerity and cities like Leicester had suffered the most. The Council's budget (on a like for like basis) had fallen from £358m in 2010/11 to £291m in 2019/20. The managed reserves strategy had helped the Council to continue to provide services.

The Director of Finance stated that the budget was a one-year budget with a three- year outlook, however there was a significant level of uncertainty as it was not yet known beyond 2019/20 how the Local Governing Financing system would work. In addition, it was not known how the Government would deal with the significant pressures around Adult and Children's Social Care. The budget had been discussed at all the Scrutiny Commissions and minute extracts of those discussions had been circulated and would be appended to the report for Council.

The City Mayor said that he was very grateful for all the comments received from Scrutiny Commissions so far. Following a request made at the meeting of the Adult Social Care Scrutiny Commission, a letter had been written to the Secretary of State expressing concerns about the delay of the Green Paper.

The Economic Development, Transport and Tourism Scrutiny Committee had requested a breakdown of bus lane enforcement income and he hoped that Members had received that.

During the ensuring discussion, comments and queries were raised and the responses included the following:

- Councillor Cutkelvin, Chair of the Health and Wellbeing Scrutiny

Commission stated that concerns had been raised at their meeting on 15 January 2019 which had not been included in the minutes, relating to additional pressures arising from the rising costs of licensed drugs treatment. This had been raised in connection to the contract with Turning Point. Councillor Cutkelvin said that in the context of Brexit, there had been news that the NHS could be impacted by the increased cost of drugs and she questioned whether there were any other risks of that nature that would affect the Health and Wellbeing budget envelope.

The Director responded that she was aware of such issues in relation to the Drug and Alcohol Service and which might also apply to the Sexual Health Service. A number of different suppliers were being used, as cost pressures could arise from being in a single supplier environment. This had been included in the risk register relating to Brexit and it was an issue that would continue to be monitored. There may be some issues arising from Brexit that would fall on Public Health and partner relations. The Director of Delivery, Communications and Political Governance was the lead in preparing for Brexit and would have more information on this.

- Councillor Cleaver, Chair of the Adult Social Care Scrutiny Commission said that Adult Social Care was a demand led service and the Commission understood the challenge of the budget and the difficulties arising because of the delay to the Green Paper. She asked whether there could be any further preventative measures put in place to help families and middle age people, because Adult Social Care affected other age groups and not just elderly people. The City Mayor agreed that as far as possible, the Council should continue to invest in preventative measures to help people's health and wellbeing.

- Councillor Porter asked if the Council had broken any rules by transferring funds from Adult Social Care to Children's services. He expressed a concern that the Council had misled people by doing this and questioned whether it was likely to happen again.

  The City Mayor replied that between 2010 and 2020, the Council had seen significant cuts in spending power but while the budget had decreased significantly, the Council had increased its spending on both Adult Social Care and Children's Social Care.

  The Director of Finance explained that the Council had put significantly more money into Social Care than was raised through the precept. Efficiencies had been made because the Strategic Director had been able to deliver savings ahead of target and the savings were available to support the budget. The Director added that she would be required to certify that money raised through the precept was used for Social Care and this was something which she would be happy to do.

  The Chair asked Members whether they supported the recommendations for Council, which were set out in Para 3 of the report. The Chair read out the recommendations as follows:

1) approve the budget strategy described in the report and the formal budget resolution for 2019/20, which will be circulated separately;

2) note comments received on the draft budget from scrutiny committees, trade unions and other partners;

3) approve the budget ceilings for each service, as shown at Appendix One of the report;

4) approve the scheme of virement described in Appendix Two of the report;

5) note the view that reserves will be adequate during 2019/20 and that estimates used to prepare the budget are robust;

6) note the equality implications arising from the proposed tax increase, as described in Paragraph 10 and Appendix Four;

7) approve the capital strategy, and associated prudential indicators, described in Paragraph 19 and Appendix Three;

8) emphasis the need for outstanding spending reviews to be delivered on time, after appropriate scrutiny; and

9) agree that the finance procedure rules applicable to trading organisations (4.9 to 4.14 of the report) shall be applicable only to City Catering, Operational Transport and Highway Maintenance.

AGREED:

that the Overview Select Committee support all the above recommendations as set out in the report.

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Minutes of the Meeting of the
ADULT SOCIAL CARE SCRUTINY COMMISSION

Held: TUESDAY, 22 JANUARY 2019 at 5:30 pm

P R E S E N T :

Councillor Joshi – Vice Chair in the Chair

Councillor Aldred
Councillor Thalukdar
Councillor Osman
Councillor Unsworth

In Attendance

Councillor Dempster – Assistant City Mayor, Adult Social Care
Mr Micheal Smith – Healthwatch, Leicester and Leicestershire

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62. APOLOGIES FOR ABSENCE

Apologies for absence were received from the Chair Councillor Cleaver. Councillor Joshi as Vice Chair, took the Chair for the meeting.

Apologies for absence were also received from Councillor Chaplin.

63. DECLARATIONS OF INTEREST

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

In accordance with the Council's Code of Conduct, this interest was not considered so significant that it was likely to prejudice the Councillor's judgement of the public interest. Councillor Joshi was not therefore required to withdraw from the meeting during consideration and discussion of the agenda items.

67. GENERAL FUND REVENUE BUDGET 2019/20 TO 2021/22

The Director of Finance submitted a report that set out the City Mayor's proposed budget for 2019/20 to 2021/22. The Adult Social Care Scrutiny Commission was asked to pass any comments to the Overview Select Committee as part its consideration of the report prior to it being presented to Council on 20 February 2019.

The Strategic Director, Social Care and Education referred to the Adult Social Care element of the budget and said that there were continued growth pressures in Adult Social Care in Leicester and across England as a whole. The pressures arose from an increase in people's needs and frailty, but pressures also arose in adult mental health where people suffered disproportionately more in Leicester compared to nationally.

Members heard that the Green Paper, which will set out additional funding for Adult Social Care had been delayed five times and had still not been released. There was no certainty as to what would happen in approximately 13 months' time, when the current allocation of additional funding for Adult Social Care ran out. Members expressed very strong concerns at the extremely difficult situation and the pressure the service faced because of the delay in the Green Paper and the uncertainty about future funding.

The Strategic Director explained that Spending Review Four was underway and the service had already delivered some of the required savings, but savings and efficiencies would not solve the problem after 2020 if the Government did not allocate additional funding to Adult Social Care.

During the ensuing discussion, comments and queries were raised which included the following:

- The Chair stated that the largest proportion of council money was allocated to the City Council's essential Adult Social Care services. The general budget strategy of the Council meant that the service in Leicester had been supported more than many other Adult Social Care services elsewhere in the country. The Chair added that the continuous austerity the country was experiencing made the decisions around budgeting especially difficult.

- It was noted with some concern that the current round of Better Care Funding was due to end after 2019/2020 and an officer explained that they were waiting to hear more about the fund in the Green Paper. The Strategic Director commented that the Association of Adult Social Care Directors had consistently applied pressure to the Government to release the information regarding Adult Social Care funding. He thought it unlikely that the Better Care Fund would not be replaced with something else, but they did not know what and had no indication of when the announcement would be coming.

- The Assistant City Mayor for Adult Social Care stated that there was a lot of talk about elderly people, but approximately one third of the budget was spent on people with mental health issues or learning disabilities. Adult Social Care provided a good service, but in respect of people with learning disabilities, there were parts of the service she would like to deliver differently and for which more resources were needed.

- The Assistant City Mayor also stated that while she understood that the NHS wanted to discharge people from hospital quicker, this led to considerable implications for Adult Social Care. Additionally, neither the University Hospitals of Leicester or the Leicestershire Partnership Trust had good inspection reports, and this also impacted on the local authority.

- Mr Micheal Smith, Healthwatch stated that the concerns about the Green Paper and funding for Adult Social Care was an issue that Healthwatch both in Leicestershire and around the country could also take up.

The Chair drew the discussion to a close and proposed that Members note the report and write a letter to the Secretary of State for Health and Social Care along with the three M.P.s for Leicester, to highlight the seriousness of the situation regarding funding for Adult Social Care and the lack of clarity of monetary allocation beyond 2019/20.

AGREED:

1) that the Adult Social Care Scrutiny Commission note the General Fund Revenue Budget 2019/20 to 2021 /22 report; and

2) that a letter be written to the Secretary of State for Health and Social Care, and the three M.P.s for Leicester to highlight the seriousness of the situation regarding funding for Adult Social Care and the lack of clarity of monetary allocation beyond 2019 /20.

Leicester City Council

MINUTE EXTRACT

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

Held: TUESDAY, 5 FEBRUARY 2019 at 6:15 pm

PRESENT:

Councillor Dawood (Chair)
Councillor Cole (Vice-Chair)

Councillor Cassidy
Councillor Chamund
Councillor Hunter
Councillor Pantling
Councillor Riyait

In Attendance:

Councillor Russell, Deputy City Mayor with responsibilities for Children, Young People's Services

Also Present:

Joseph Wyglendacz, Teaching Unions Representative

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53. APOLOGIES FOR ABSENCE

There were no apologies for absence.

54. DECLARATIONS OF INTEREST

There were no declarations of interest.

60. GENERAL FUND REVENUE BUDGET 2019/20 TO 2021/22

The Director of Finance submitted a report setting out the City Mayor's proposed General Fund Revenue budget for 2019/20 to 2021/22.

The Chair referred to the summary indicating that the Council was enduring the most severe period of spending cuts ever experienced. Because of the cuts, the Council's budget had fallen but despite this spending on social care had increased over the period. Spending on all other services would fall from £192m to an estimated £99m, a cut of 60% in real terms.

The Strategic Director of Social Care and Education introduced the report. The Strategic Director advised Members that any changes to service budgets were undertaken by a well-established programme of service reviews.
In discussion on this report the following points were made by Commission members:

- In respect of the national picture, comparisons and examples of authorities known to be facing more severe difficulties due to a lack of reserves were provided.

- In terms of savings targets, it was acknowledged that service changes to children's centres, youth services, and youth offending had resulted in a cost reduction and that other areas would now be considered to control spending.

- It was noted that reductions in agency staff costs due to the increased stability of the workforce had also brought down the budget pressure in this area but that there was further work to be done to control this area of budget spend.

- It was confirmed that current budget pressures would not lead to young people becoming unsafe or put at risk and the statutory duty of the Council was clarified in this regard.

- The savings on premises costs and revised leasehold arrangements due to children's centres being located on established school sites, including academies, were explained and noted.

- The involvement and engagement with young people and relevant groups concerning the budget and its implications on their income was noted.

- In terms of the Spending Review 4 Programme within the report, on services for children aged 0-19, the position was explained, and it was requested that further information be provided on the Health Visitors' / Healthy Child programmes, in consultation with Public Health colleagues and the Health and Wellbeing Scrutiny Commission.

In concluding the report, the Chair asked that further information on any emerging Government proposals on public spending which may impact on children's services be received by the Commission as they develop.

AGREED:

1) That the Overview Select Committee be asked to take the comments of this Commission recorded above in to account when considering the City Mayor’s proposed General Fund Revenue Budget for 2019/20 to 2021/22;

2) That further information be provided on the Spending Review 4 Programme (Health Visitors’ / Healthy Child Programme), in consultation with Public Health colleagues and the Health and Wellbeing Scrutiny Commission; and

3) That that further information be provided on any emerging Government proposals on public spending which may impact on children’s services as they develop.

Leicester
City Council

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

Held: THURSDAY, 17 JANUARY 2019 at 5:30 pm

PRESENT:

Councillor Khote (Chair)

Councillor Bhavsar	Councillor Patel
Councillor Kitterick	Councillor Porter

In attendance:

Councillor Clair – Deputy City Mayor with responsibility for Culture, Leisure, Sport and Regulatory Services
Councillor Clarke – Deputy City Mayor with responsibility for Environment, Public Health and Health Integration

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45. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Dr Chowdhury, Rae Bhatia and Sandhu.

46. DECLARATIONS OF INTEREST

No declarations of interest were made.

Councillor Kitterick left the meeting before consideration of minute 53

53. GENERAL FUND REVENUE BUDGET 2019/20 TO 2021/22

The Director of Finance submitted a report setting out the City Mayor's proposed General Fund Revenue budget for 2019/20 to 2021/22.

The Director of Planning, Development and Transportation introduced the report, reminding Members that changes to service budgets were now driven by a well-established programme of service reviews. The report therefore reflected those that had been completed and anticipated those remaining to be done.

He remarked that the City Development and Neighbourhood Services already had achieved £18.7million of savings and had a target of £7.4million to achieve in Spending Review 4. Members noted that budget pressures in some of those services had required the department to make additional spending review savings. These had been achieved, so savings already achieved meant that the department was able to operate within its budget and could achieve further savings to support the corporate position.

In discussion on this report it was noted that:

- The Council had agreed to maintain a minimum balance of £15million of reserves, plus a number of ear-marked reserves;

- The administration of bus lane enforcement was undertaken by Nottingham City Council, which was a cost to this Council. As part of the need to continue to make savings, officers would be considering whether it would be financially beneficial to bring this work in-house;

- The technical services review was taking longer to implement than had been anticipated, as there had been some staffing changes in Property Services following appointment of a new director; and

- Forecast capital expenditure for Transport would fluctuate from the figure given in the report. For example, grants from the Transforming Cities Fund and the European Development Fund could add a significant amount to the current estimate of £27,588,000.

AGREED:

1) That the Director of Finance be asked to clarify to Members who the 40,000 people not accounted for in the figures given paragraph 2.2 of the Equality Impact Assessment are and whether this figure includes students;

2) That the Director of Planning, Development and Transportation be asked to provide Members with a breakdown of how much from each fine received through bus lane enforcement is received by this Council and how much is passed to other bodies; and

3) That the Overview Select Committee be asked to take the comments of this Commission recorded above in to account when considering the City Mayor’s proposed General Fund Revenue Budget for 2019/20 to 2021/22.

Leicester
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Minutes of the Meeting of the
HEALTH AND WELLBEING SCRUTINY COMMISSION

Held: TUESDAY, 15 JANUARY 2019 at 5:30 pm

P R E S E N T :

Councillor Cutkelvin (Chair)
Councillor Fonseca (Vice-Chair)

Councillor Dr Moore

Councillor Pantling

Councillor Dr Sangster

In Attendance:

Councillor Clarke – Deputy City Mayor with responsibility for the Environment, Public Health and Health Integration

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60. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Chaplin, Councillor Cleaver and Mr Micheal Smith, Healthwatch.

Councillor Sangster arrived shortly after the meeting had started.

61. DECLARATIONS OF INTEREST

No declarations of interest were made.

Councillor Dr Sangster left the meeting prior to the consideration of the Draft Revenue Budget 2019 / 20.

69. DRAFT REVENUE BUDGET 2019/20 (PUBLIC HEALTH BUDGET)

At the request of a Member, the Chair announced that this item of business would be brought forward on the agenda and would be considered ahead of the Turning Point Performance Report.

The Director of Finance submitted a report which set out the City Mayor's proposed budget for 2019/20 to 2021/22 and the Commission was recommended to consider and comment on the Public Health element of the budget.

The Deputy City Mayor with responsibility for the Environment, Public Health and Health Integration introduced the report and gave credit to the former Director of Public Health Ruth Tennant who had managed to deliver the service during her tenure, despite severe funding cuts.

The Deputy City Mayor added that the Public Health department was expecting to contribute towards the Spending Review 4 Programme, with a key area being a review of services provided to children and young people age 0-19 years. It was noted that Public Health was not an isolated service but impacted on many other services that the Council provided and scrutiny of the 0-19 review by the Health and Wellbeing Scrutiny Commission would be welcomed.

A Member noted that a one -off corporate contingency of £1.4m had been created in 2019/20 to manage the significant pressures that would arise during the year and she questioned whether this sum would be sufficient. Members heard that the budget included use of corporate managed reserves, ear marked departmental reserves and that the contingency fund was in addition to the already utilised use of reserves. However, it was acknowledged that use of reserves was a ‘one-off’ solution to budget balancing as there would be no more money to put back into reserves when that money was spent unless identified from other savings or funding sources.

A Member referred to the cost pressures as detailed in section 7.15 of the report including an estimated £570k because of a national pay award for NHS staff working in services commissioned by the Council. The Acting Director of Public Health said that the Council commissioned several services and if a NHS pay award affected staff in those services, the Council may be expected to find the extra funding to meet that shortfall.

The Chair commented that Scrutiny Members would be pleased that one of the recommendations of the Draft Revenue Budget was to emphasise the need for outstanding spending reviews to be delivered on time *after appropriate scrutiny.*

AGREED:

> that the Draft Revenue Budget 2019/ 20 (Public Health element) be noted and Members’ comments be forwarded to the meeting of the Overview Select Committee on 7 February 2019, prior to Council on 20 February 2019.

Leicester
City Council

Minute Extract

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

Held: TUESDAY, 8 JANUARY 2019 at 5:30 pm

P R E S E N T:

Councillor Bajaj (Chair)
Councillor Halford (Vice Chair)

Councillor Gugnani
Councillor Shelton
Councillor Singh Johal

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58. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Dr Barton and Councillor Westley.

59. DECLARATIONS OF INTEREST

There were no declarations of interest.

65. ANNUAL BUDGET

The Director of Finance Submitted a report setting out the City Mayor's proposed budget for 2019/20 to 20221/22.

AGREED:
1) That the budget report be noted.

MINUTE EXTRACT

Leicester
City Council

Minutes of the Meeting of the
HOUSING SCRUTINY COMMISSION

Held: MONDAY, 7 JANUARY 2019 at 5:30 pm

P R E S E N T:

Councillor Westley (Chair)
Councillor Alfonso (Vice Chair)

Councillor Aqbany
Councillor Corrall
Councillor Joshi
Councillor Newcombe

In Attendance

Councillor Connelly – Assistant Mayor for Housing

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56. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Byrne and Willmott.

57. DECLARATIONS OF INTEREST

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

Members stated their declarations were included on each Councillor's Register of Interests and there were no further declarations to be made.

61. ANNUAL BUDGET

The Director of Finance submitted a report which set out the City Mayor's proposed budget for 2019/20 to 2021/22. The Housing Scrutiny Commission was recommended to pass any comments to the Overview Select Committee as part of its consideration of the report before it would be presented to the Council meeting on 20 February 2019.

The Head of Finance presented the report, and the following information was provided:

- The report included matters that Full Council needed to consider when budget and council tax levels were set.

- The report gave details of existing programmes involving spending cuts, and highlighted former decisions that affected Council services. It was noted that all savings programmes were required, and additional funding for services had been progressed over the past four years through the spending review process. The budget report did not introduce new spending cut proposals.
- A council tax increase of 3% was noted.
- The body of the report also included information on pressures on statutory responsibilities, required spending review savings, targets for departments and key spending pressures.
- The report provided a one-year budget with projections in spending and income in definite terms, as changes had been signalled in government finance for 2021 on how business rates would be collected and distributed. It could only be assumed that the budget would not vary significantly, but definitive figures could not be given due to changes which might be made at a national level.

In response to Commission Members' questions, the following information was given and noted:

- The £3.1million included non-HRA budget, covering homelessness costs.
- The spending review programme had been running across the Council for a number of years to allow a balanced budget to be achieved to reflect the significant budget reduction. It had led to a series of decisions (Executive and budget monitoring reports, for example, December 2016, and Executive decision around the Homelessness Strategy Spending Review).
- The Business Rates Retention Scheme allowed for councils to retain half of collected rates. Leicester City Council also received some of the pool of funding distributed to local authorities. The Government had been consulting on increasing the localisation up to 75%, which was intended to incentivise local authorities to drive economic regeneration but which increased the risk for councils that did not increase business rates. If business units became empty, part of the cost for loss of business rates income was to be borne by the Council.
- Members said that with so many shops closing down it was hoped the Council could do something to regenerate business. It was noted there would still be some redistribution should business rates retention be increased to 75%, but that the government over recent years had reduced revenue support while increasing business rates, and over time business rates would provide an increasing amount of the Council's income, with increasingly less from the distribution pool.
- Concern was raised about the demographic pressures in Adult Social Care and growth in numbers of looked-after children, and about the potential funding gap increase in 2021/22 from £16.2 to £50m should the Government not provide sufficient funding. It was acknowledged that it would be difficult for the Council to manage should figures of that magnitude materialised and the level of funding available across councils was a widespread concern for local government generally.

- The Assistant Mayor for Entrepreneurial Councils was working with Council officers to drive funding.
- It was noted that figures in the report had been rounded to the nearest £100k but that the totals were correct.

The Chair noted that a balanced budget had to be presented to Council but with significant budget cuts, officers had worked well to present the budget as written.

It was confirmed that the report would be submitted to Council on 20 February 2019, and the Housing Scrutiny Commission Members supported the draft budget as proposed.

It was AGREED that:

1. The draft budget report be noted as proposed.

Leicester
City Council

Minutes of the Meeting of the
NEIGHBOURHOOD SERVICES AND COMMUNITY INVOLVEMENT SCRUTINY COMMISSION

Held: WEDNESDAY, 23 JANUARY 2019 at 5:30 pm

P R E S E N T :

Councillor Gugnani (Chair)
Councillor Thalukdar (Vice Chair)

Councillor Aqbany
Councillor Govind
Councillor Halford
Councillor Hunter
Councillor Waddington

In Attendance:

Councillor Clair, Deputy City Mayor with responsibility for Culture, Leisure, Sport and Regulatory Services
Councillor Clarke, Deputy City Mayor with responsibility for Environment, Public Health and Health Integration
Councillor Master, Assistant City Mayor - Neighbourhood Services
Councillor Sood, Assistant City Mayor - Communities & Equalities

* * *   * *   * * *

48. APOLOGIES FOR ABSENCE

There were no apologies for absence.

49. DECLARATIONS OF INTEREST

No declarations of interest were made.

Councillor Waddington left the meeting before consideration of minute 57

57. GENERAL FUND REVENUE BUDGET 2019/20 TO 2021/22

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2019/20 to 2021/22.

AGREED:

That this Commission supports the City Mayor's proposed General Fund revenue budget for 2019/20 to 2021/22.

4.2

Housing Revenue Account Budget (including Capital Programme) 2019/20 to 2021/22

Full Council: 20th February 2019

Assistant Mayor for Housing: Cllr Andy Connelly

Lead director: Chris Burgin

Useful information

■ Ward(s) affected: All

■ Report authors: Chris Burgin, Director of Housing & Stuart McAvoy, Principal Accountant

1. Purpose

1.1 The purpose of this report is for Full Council to consider and approve the proposed Housing Revenue Account (HRA) budget for the 3 years from 2019/20 to 2021/22.

1.2 The budget will be set by Full Council in the context of the government requirement that rents are reduced by 1% p.a. for the four year period from 2016 to 2020. The proposed budget includes the final year of the four-year rent reduction.

2. Summary

2.1 The government's decision to implement a 1% p.a. rent reduction over a four year period has placed the HRA under significant pressure to deliver a balanced budget. A number of other external pressures and changes also brought about by central government place the HRA at further risk including the impact of increasing Right to Buy sales, the introduction of Universal Credit and inflationary pressures. All of these create a period of significant uncertainty in setting the budget for the HRA.

2.2 Despite these pressures and uncertainties, this report recommends that the budgets for the three years from 2019/20 to 2021/22 are set as balanced budgets, with the limited use of reserves to fund specific schemes.

2.3 Consultation on the proposals within this report has been carried out with the Tenants and Leaseholders Forum and the housing Scrutiny Commission.

3. Recommendations

3.1 Taking in to account the views of housing Scrutiny Commission and the Tenants and Leaseholders Forum it is proposed;

i) To approve the Housing Revenue and Capital budgets for 2019/20
ii) To note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;
iii) To note the equality assessment of the proposed revenue and capital reductions required to present a balanced budget;
iv) To approve the approach to continue to implement the 1% reduction in rent;
v) To approve the increase in service charges of 2% (excluding district heating and communal cleaning), and increase in garage rent of 3.7% for 2019/20;
vi) To approve the proposal for Hostel rents to remain unchanged;
vii) Note that the scheme of virement (included within the General Fund Revenue Budget report which is also on your agenda) applies also to the HRA budget with total expenditure and total income acting as budget ceilings for this purpose;

viii) Note that the capital strategy in that report applies also to the HRA;

ix) Agree that the delegations and determinations applicable to the main capital programme (and approved by the Council on 30th November 2017) shall also apply to the capital programme in this report.

4. Report

4.1 Rents & Service Charges

4.1.1 The HRA operates in a self-financing environment. Spending priorities are made in the context of needing to achieve the right balance between investing in, maintaining and improving the housing stock, providing landlord services to tenants, building new homes and supporting and repaying housing debt of £212m.

4.1.2 The HRA budget is set by modelling future levels of income and expenditure. Following the Government's summer budget statement in July 2015 all housing associations and councils were required to decrease rents by 1% each year for 4 years, compared with the previous national policy of increasing rents by CPI+1%. 2019/20 represents the final year of rent reductions and is expected to result in £0.7m less income than 2018/19. Over the 4-year period annual income will have fallen by £3.1m solely as a result of the rent reduction policy.

4.1.3 The government is consulting on proposals to allow councils to increase rents by CPI+1% for the 5 years from 2020/21. Whilst any decision in relation to rents beyond 2020 would be taken by Council at the appropriate time, the planning assumption for the second and third years of this proposed budget is that rents would increase by CPI+1%. The damage to the rental income stream from 4 years of rent reduction have impacted on the ability to invest in existing properties and build new social housing across the city; an increase in rent is likely to be required going forward in order to rectify this.

4.1.4 The 1% mandatory rent reduction does not apply to service charges and garage rents. This report proposes an increase in service charges for 2019/20 (excluding heating and cleaning charges) of 2% which will raise an additional £40k a year. It is proposed to increase garage rents by 3.7% (August CPI+1%) which would increase the average weekly rent to £9.09.

4.1.5 Hostel rents are also not covered by the mandatory rent reduction and are periodically re-set to ensure that they are aligned with the actual cost of running the service. This re-basing took effect in 2018/19 and it is proposed that rents remain unchanged for 2019/20.

4.2 Revenue Cost Pressures

4.2.1 Central Government's decision to reduce rent by 1% p.a. over a four year period has placed the HRA under significant pressure to deliver a balanced budget. A number of other external pressures and changes place further burdens upon the HRA. Table 1, below summarises all known pressures and budget growth requirements within the HRA:

Table 1: Revenue Cost Pressures	2019/20 £000	2020/21 £000	2021/22 £000
1% Rent Reduction	735	735	735
Right to Buy Rent Loss	1,459	2,962	4,417
Interest on RTB Receipts	570	720	100
Employee Cost Inflation	976	1,754	2,550
Running Cost Inflation	619	1,102	1,600
Spend to Save	300	300	300
District Heating	350	350	350
Contributions to GF Services	209	209	209
Van Racking	150	0	0
Bad Debt	100	200	200
Capital Expenditure Funded From Revenue	1,347	1,400	883
Total Cost Pressures	**6,815**	**9,732**	**11,344**

Right to Buy
Sales of properties through Right to Buy can give discounts to tenants of up to 70% of the property value. From 2012 the government 'reinvigorated' the scheme by increasing the maximum discount, such that it is now £80,900 compared with £24,000 for Leicester in 2012. Sales have increased as a result, with a loss of over 850 properties in the last 2 years alone. The HRA loses rental income from properties sold in this way, and the economies of scale that come from managing a large portfolio are gradually being eroded. Over the next 3 years it is forecast that rental income will be lower by £4.4m as a result of 1,200 Right to Buy sales.

Interest on RTB Receipts
The capital receipts from the sale of properties under Right to Buy must be used within 3 years or be paid over to central government with 3 years of backdated interest. The Council has faced significant limitations in being able to spend these receipts within the HRA, largely due to the fact that they can only be used to fund up to 30% of the cost of replacement housing, combined with the heavily restricted borrowing capacity to fund the remaining 70%. The uptake by Registered Providers has been limited due to the fact that they cannot combine RTB receipts with other funding from Homes England. The government has recently announced the end of the borrowing cap, which is expected to result in a significant rise in new social rented housebuilding nationally, and also potentially in acquisitions of existing properties. Locally, the scale of the backlog of receipts, coupled with limited land availability and the challenge of financing the other 70% of the cost, are such that some may ultimately have to be repaid. Provision has been made within reserves to fully fund the punitive interest that will become payable.

Inflation
Employee costs are forecast to rise by £2.6m, based on a provisional grading structure for 19/20 (following the review of the Local Government Services pay spine), subsequent annual pay increases of 2%, and known increases to pension contributions. Material costs have been rising, perhaps linked to Brexit uncertainty, and available forecasts indicate that provision should be made for increases of 4% per year, increasing annual spend on running costs by £1.6m.

Spend to Save
Two areas have been identified in which increased current revenue expenditure can reduce future costs. Funding for both of these schemes will come from reserves through the Invest-to-Save Transformation Fund. (1) Currently, asbestos is removed from damaged decorative coatings within void properties as and when deterioration is identified. From 2019/20 we will start to remove all asbestos containing materials from void bungalows at the same time, eliminating the need for asbestos being removed during a person's tenancy. Adding £50k to the revenue budget will save the HRA in the long-term by preventing the need for multiple surveys and visits to the same property. If successful, we will look to include all property types in subsequent years. (2) The introduction of pro-active maintenance of communal areas will cost £250k but will result in a subsequent reduction in the number of repair requests.

District Heating
Within previous years in-year revenue underspends have been used to fund the required programme of repairs to the heating network. A permanent increase of £350k to the annual maintenance budget is required, to ensure that funding is available for necessary maintenance.

Contributions to General Fund Activities
The HRA makes contributions towards the cost of those services provided by the General Fund for which the HRA benefits. In 19/20 a charge of £63k will be introduced for dealing with domestic noise complaints, along with £114k for the investigation and enforcement work, such as fly-tipping, undertaken by City Wardens. An increase of £32k will apply to the existing contribution for dealing with antisocial behaviour.

Van Racking
The effective use of vans within the Repairs and Maintenance function relies on there being appropriate racking to store materials. Whilst the intention was to fund a racking scheme from the 18/19 underspend, procurement delays mean that this will now take place in 19/20, with provision of £150k being made as part of this budget.

Universal Credit and Bad Debt
The Department for Work and Pensions has commenced the roll out of Universal Credit (UC) nationally which combines 6 different benefits into a single monthly amount. UC full service commenced in Leicester in June 2018, with claimants expected to manage their UC claim and job search activities online. Tenants will migrate on to UC over the coming years, at an estimated rate of 173 council tenants each month. Based on experience elsewhere it is estimated that UC will result in an increase in rent arrears of £1.26m by 2023, an increase of 86.5%. The experience of other authorities where the roll-out is at a more advanced stage is that the number of tenants in arrears increases significantly, as does the average debt per tenant. This budget provides for an increase of £0.1m for debt write offs and increases to the provision for bad debt.

The council has taken steps to mitigate this risk by recruiting to 4 new posts, Rent Management Advisors, to support tenants apply for Universal Credit, manage their claim and pay their rent. Neighbourhood Housing Officers have also visited over 800 tenants who we believe may move onto Universal Credit quickly to establish whether they have support needs that the Rent Management Advisors can assist with. The Department of Work and Pensions has granted the council Trusted Partner status. One of the benefits of this is that we can automatically apply for managed rent payments directly to us, for those tenants that are vulnerable or are likely not to pay their rent.

Capital Expenditure Funded From Revenue
Despite the pressures on rental income, it is important that an appropriate level of investment in the dwelling stock is undertaken. These schemes are detailed in full in section 4.4, below. The extent to which these schemes are funded from revenue resources represents a pressure towards which corresponding savings must be found.

4.3 Revenue Savings

4.3.1 The proposals within this report meet the identified budget gap of £6.8m in 2019/20 rising to £11.3m in 2021/22. Table 2, below, summarises the proposed budget reductions, with a detailed list included at Appendix C.

Table 2: Additional Income & Reductions in Expenditure	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Rent & Service Charges	(63)	(2,522)	(4,754)
Approved in Previous Year's Budget Report	(1,543)	(2,001)	(2,001)
Budget Re-Basing	(2,228)	(2,228)	(2,228)
Staffing Costs	(320)	(320)	(320)
Interest on Borrowing	(1,641)	(1,641)	(1,641)
Contribution from Reserves	(1,020)	(1,020)	(400)
Total Savings Identified	**(6,815)**	**(9,732)**	**(11,344)**

Rent & Service Charges
As outlined in section 4.1, the additional income shown here reflects service charge increases and the planning assumption that rents will be increased by CPI plus 1% for the years from 2020/21. Additional rental income will also be received from the programme of acquiring and building new properties. In total these proposals would deliver £4.8m of additional income by 2021/22.

Previous Year's Approvals
The budget report to Council in February 2018 included savings associated with staffing pay protection coming to an end, changes to the apprenticeship scheme, reductions in costs linked to properties lost through Right to Buy, and letting properties at Formula Rent at the point they become void. These approvals will deliver £2.0m of savings by 2020/21.

Budget Re-Basing
An exercise was undertaken in 2018/19 to identify historical budgets that did not reflect current income and expenditure. As part of the period 3 budget monitoring process an amount of £2.2m was moved to reserves, and these same budgets can now be declared as permanent savings.

Staffing Costs
Administration support posts have been held vacant throughout 2018/19 with no negative impact on service delivery. It is proposed that these vacant posts now be deleted to deliver savings of £0.2m. A further £0.1m will be saved from reduced contributions towards the staffing cost of the Technical Services Review Team.

Interest on Borrowing
The HRA pays interest on its outstanding debt, whilst earning interest on the cash balances it holds (with the interest rate on debt being much higher than that on cash balances). Within 2018/19 a tranche of Council debt was repaid meaning that the HRA benefits on the net interest payable by £1.6m.

Contributions from Reserves
Whilst the use of reserves cannot be described as a saving, they provide the resource to fund revenue cost pressures. The specific pressures being funded from reserves are the two spend-to-save schemes, van racking, and the interest cost on RTB receipts. The use of reserves is appropriate since these areas do not represent on-going cost pressures.

4.3.2 The table below demonstrates that the HRA revenue budget savings proposed for the 3 years will meet the amount required to balance the budget. Appendix A shows a high level breakdown of the proposed HRA revenue budgets for the next 3 years.

Table 3: HRA 3-Year Revenue Summary	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Budget Pressures	6,815	9,732	11,344
Savings & Reductions Identified	(5,795)	(8,712)	(10,944)
Funding From Reserves	(1,020)	(1,020)	(400)
HRA Net Revenue Budget	**0**	**0**	**0**

4.4 Capital Expenditure Requirement

4.4.1 The capital expenditure requirement in 2018/19 is £17.3m. This increases to £31.0m in 2019/20 before falling back to £17.6m in 2020/21 and £17.1m in 2021/22. Appendix B shows the proposed capital programme for the next 3 years. Increases in capital expenditure will support the following schemes:

Installing Sprinkler Systems
Following the installation of a sprinkler system in Maxfield House in 2018/19, a further 4 tower blocks will have systems retro-fitted at a cost of £1.35m. This will be funded from the Major Repairs Reserve.

Fire Door Replacements
Fire risk assessments and audits have identified an increased number of fire doors requiring replacement, over and above the existing programme. Recent tests have also identified specific types of fire doors which fall short of the required safety standards, and all such doors in communal areas will be replaced, adding £0.15m to the capital programme.

Property Acquisitions

The Council is able to buy back a limited number of properties that were previously sold under Right to Buy, funding 50% of the cost using receipts from property sales. The scheme was added to the capital programme in 18/19 to the value of £880k. This is now being added as a permanent scheme, being funded from revenue. A further £4m is being added for acquiring properties and land to meet local housing need by increasing the number of properties available at an affordable rent within the city. This will be funded from Right to Buy receipts (£1.2m) and reserves (£2.8m).

Goscote House Demolition

The decision to demolish Goscote House was made on 24th April 2018, with a forecast date for demolition towards the end of 2019/20. Provision through reserves has already been made for the £3m cost of demolition, of which £0.2m is within the current capital programme.

Property Conversions

Overcrowding is an issue within some properties, so work will be undertaken in 2020/21 to deliver a mix of loft conversions and extensions at a cost of £0.5m.

Parking – Spend to Save

£250k will be added to the capital programme for a one-off scheme to demolish garages on the St. Matthews estate, utilising the surrounding land to create much-needed car parking for residents. The cost of maintaining the garages and the up-keep of land will be reduced, leading to long-term savings. Funding for this scheme will come from the Invest-to-Save Transformation Fund.

District Heating Maintenance

In addition to the maintenance budget, an on-going capital budget is required to ensure the effective operation of the heating network. A programme of work has identified an annual capital requirement of £725k. This includes but is not limited to: regular upgrades to the ‘Building Energy Management’ system to ensure the network is operating at maximum efficiency; the upgrading of the pumps and heat exchangers in the sub stations; and the cyclical upgrading of the boilers in the 14 sheltered schemes.

Re-roofing

Analysis of the remaining life of roofs has identified that a greater number of properties will need to be re-roofed over coming years than the current budget allows for. An increase of £450k is required to meet this need for 19/20 and 20/21, rising to £600k in 21/22, which will support the replacement of an additional 250 roofs over the 3-year period.

Neighbourhood Hubs

Refurbishment work to the Mowmacre Neighbourhood Housing Office will cost in the region of £450k in 19/20. Further budget requirements are likely to arise from capital improvements to staffing bases and these will be considered on an on-going basis.

New Build Housing

Phase 1 of a programme of new build council housing will be undertaken within the HRA during 2019/20 increasing the provision of affordable dwellings. 50 properties will be built on back-land sites and small open spaces at a cost of £6.2m. £1.9m will be funded from retained RTB receipts, £2.2m from reserves, with £2.1m of additional borrowing.

4.4.2 A saving of £100k will be delivered in 2019/20 through a reduction to the re-wiring programme, by undertaking a greater number of upgrades rather than full re-wires. In addition, the currently planned work on creating neighbourhood hubs will be completed during 2019/20 leading to the deletion of the existing £100k annual budget. Boiler replacements are currently undertaken by external contractors, but a pilot has demonstrated that the in-house Gas team have the capacity to carry out a small proportion of these at a lower cost, saving £75k.

4.4.3 The funding of the proposed capital programme is shown in the table below. This results in an increase in funding from revenue of £1,347k in 19/20, £1,400k in 20/21 and £883k in 21/22, reflecting the pressure identified at paragraph 4.2.

Table 4: Funding of HRA Capital Programme	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Funded From Revenue	15,734	17,081	17,134	16,617
Funded From Reserves	1,090	8,319	0	0
Funded From Right to Buy Receipts	440	3,540	440	440
Funded from Borrowing	0	2,100	0	0
	17,264	**31,040**	**17,574**	**17,057**

4.4.4 Authority for amendments to the HRA capital programme is in line with that for the corporate programme as set out in the report to Council on 30th November 2017.

4.5 **HRA Reserves and Borrowing**

4.5.1 Drawing down on reserves in an attempt to avoid the need to make savings is only viable as a short-term approach to meeting any budget shortfall. Reserves are better utilised in meeting one-off costs, to support the delivery of long-term efficiencies and in the replenishment of dwelling stock to increase the long-term financial viability of the HRA.

4.5.2 At the end of 2018/19, the total HRA uncommitted reserves are forecast to be £5.1m. This is the amount available to support unplanned one-off expenditure or to meet in-year deficits.

4.5.3 Until recently, borrowing within the HRA was restricted by a debt cap. From 31st October 2018 this restriction was removed, enabling the HRA to borrow in the same way as the rest of the Council. Additional borrowing will only be undertaken where it can be shown to be affordable and sustainable. The £2.1m of additional borrowing in 19/20 is for the provision of new housing which will bring with it a new stream of income to fund the borrowing cost.

5. Financial, legal and other implications

5.1 Financial implications

5.1.1 This report is exclusively concerned with financial issues.

Colin Sharpe, Head of Finance (37 4081)

5.2 Legal implications

5.2.1 The Council is obliged to set a budget for an accounting year that will not show a deficit (S76 Local Government and Housing Act 1989).

5.2.2 The Council is also required to ring-fence the HRA to ensure that only monies received and spent for obligations and powers under the Housing Act 1985 can be paid into and out of the HRA (S75 and Schedule 4 Local Government and Housing Act 1989).

Jeremy Rainbow - Principal Lawyer (Litigation) – 37 1435

5.3 Climate Change and Carbon Reduction implications

5.3.1 Housing is responsible for a third of Leicester's overall carbon emissions. As such, addressing emissions from housing is vital to meet Leicester City Council's target to reduce city wide carbon dioxide emissions to 50% of the 1990 level by 2025, in order to prevent dangerous climate change.

5.3.2 The programme of maintenance for existing housing properties, continued use of the district heating scheme, and the building of new properties all provide opportunities for meeting our emissions reduction target, and achieving high standards in our housing. It should be noted that the demolition of Goscote House may have implications for the district heating network, and work is ongoing to investigate these implications.

Aidan Davis, Sustainability Officer, Ext 37 2284

6. Background information and other papers:

None

7. Summary of appendices:

Appendix A: Proposed HRA Budget 2019/20 to 2021/22

Appendix B: Proposed HRA Capital Programme 2019/20 to 2021/22

Appendix C: Proposed Revenue Savings

Appendix D: Leicester average rents comparison

Appendix E: Other charges and payments 2018/19

Appendix F: How priorities were assessed for Expenditure

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

Appendix H: Minutes of the Housing Scrutiny Commission

Appendix I: Equality Impact Assessment (EIA)

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

No

9. Is this a "key decision"?

No, as the decision will be taken by full Council.

Appendix A

Proposed HRA Revenue Budget
2019/20 to 2021/22

		- 2019/20 -			- 2020/21 -			- 2021/22 -		
Proposed HRA Budgets (2019/20 to 2021/22)	**2018/19 Current Budget £000**	**2019/20 Budget Pressures £000**	**2019/20 Savings & Reductions £000**	**Proposed 2019/20 Budget £000**	**2020/21 Budget Pressures £000**	**2020/21 Savings & Reductions £000**	**Proposed 2020/21 Budget £000**	**2021/22 Budget Pressures £000**	**2021/22 Savings & Reductions £000**	**Proposed 2021/22 Budget £000**
Income										
Dwelling & Non-Dwelling Rent	(74,900)	2,294	(421)	(73,027)	1,603	(2,811)	(74,235)	1,455	(2,182)	(74,962)
Service Charges	(4,536)	0	(373)	(4,909)	0	(48)	(4,957)	0	(50)	(5,007)
Total Income	**(79,436)**	**2,294**	**(794)**	**(77,936)**	**1,603**	**(2,859)**	**(79,192)**	**1,455**	**(2,232)**	**(79,969)**
Expenditure										
Management & Landlord Services	18,523	482	(1,882)	17,123	350	0	17,473	358	0	17,831
Repairs & Maintenance	25,198	1,804	(1,064)	25,938	654	(58)	26,534	827	0	27,361
Interest on Borrowing	9,545	570	(1,641)	8,474	150	0	8,624	(620)	0	8,004
Charges for Support Services	4,926	1	(414)	4,513	1	0	4,514	1	0	4,515
Contribution to GF Services	5,510	317	0	5,827	106	0	5,933	108	0	6,041
	63,702	**3,174**	**(5,001)**	**61,875**	**1,261**	**(58)**	**63,078**	**674**	**0**	**63,752**
Capital Funded From Revenue	**15,734**	**1,347**	**0**	**17,081**	**53**	**0**	**17,134**	**(517)**	**0**	**16,617**
(Surplus) / Deficit Before Reserves	**0**	**6,815**	**(5,795)**	**1,020**	**2,917**	**(2,917)**	**1,020**	**1,612**	**(2,232)**	**400**
Funding From Reserves	0	0	(1,020)	(1,020)	0	0	(1,020)	0	620	(400)
Contributions To Reserves	0	0	0	0	0	0	0	0	0	0
(Surplus) / Deficit	**0**	**6,815**	**(6,815)**	**0**	**2,917**	**(2,917)**	**0**	**1,612**	**(1,612)**	**0**

Appendix B

HRA Capital Programme 2019/20 to 2021/22

All of the schemes listed for 19/20 are immediate starts.

	2018/19 Capital Programme £000	Proposed 19/20 Programme £000	Proposed 20/21 Programme £000	Proposed 21/22 Programme £000
New Capital Schemes				
Property Conversions	0	0	500	0
Parking - Spend to Save	0	250	0	0
District Heating Maintenance	0	725	725	725
New Build Housing - Phase 1	0	6,200	0	0
	0	**7,175**	**1,225**	**725**
Investment in Council Housing				
Kitchens & Bathrooms	4,000	4,000	4,000	4,000
Boilers	3,500	3,425	3,425	3,425
Re-wiring	1,860	1,760	1,760	1,760
Re-roofing	300	750	750	900
Soffits & Facia	350	350	350	350
Windows and Doors	150	150	150	150
Door Entry	150	150	150	150
Property Acquisitions	880	4,880	880	880
Goscote House Demolition	200	2,800	0	0
	11,390	**18,265**	**11,465**	**11,615**
Environmental and Communal Works				
Communal Improvements & Environmental Works	750	750	750	750
Disabled Adaptations	1,200	1,200	1,200	1,200
Fire Risk Works	850	1,000	1,000	1,000
Safety Works including Targeted Alarms	300	300	300	300
Sprinkler Systems	450	1,350	0	0
Loft Insulation	100	100	100	100
Waylighting	150	150	150	150
Sheltered Housing Improvements (ASC)	100	100	100	100
Supporting Neighbourhood Hubs	100	550	0	0
Concrete Paths Renewal	100	100	100	100
CCTV	300	0	0	0
	4,400	**5,600**	**3,700**	**3,700**
Policy Provisions				
Affordable Housing	1,474	0	1,184	1,017
	1,474	**0**	**1,184**	**1,017**
Total Capital Programme	**17,264**	**31,040**	**17,574**	**17,057**

Appendix C

Proposed Revenue Savings 2019/20 to 2021/22

Service description	2019/20 £000	2020/21 £000	2021/22 £000
Rent and Service Charges			
Dwelling Rent Increases	0	(2,139)	(4,298)
Garage Rent Increases	(3)	(11)	(20)
Service Charge Increases	(39)	(79)	(120)
Buy-Back Rental Income	(21)	(43)	(66)
New Build Rental Income	0	(250)	(250)
	(63)	**(2,522)**	**(4,754)**
Approved in Previous Year's Budget Report			
Staffing Review Pay Protection	(212)	(212)	(212)
Apprenticeship Scheme	(446)	(446)	(446)
Training Centre of Excellence	(20)	(20)	(20)
Repairs - Materials	(10)	(20)	(20)
Repairs - Staffing Reduction linked to RTB sales	(300)	(300)	(300)
Repairs - Electrical Testing	(90)	(90)	(90)
Repairs - PAT & Contractors	(40)	(40)	(40)
Repairs - Team Leader	0	(48)	(48)
Energy Efficiency Improvements	(25)	(25)	(25)
Formula Rent	(400)	(800)	(800)
	(1,543)	**(2,001)**	**(2,001)**
Budget Re-Basing			
Rental Income	(813)	(813)	(813)
Corporate Recharges	(414)	(414)	(414)
District Heating	(550)	(550)	(550)
Leaseholder Income	(331)	(331)	(331)
Decorating Allowance	(20)	(20)	(20)
Neighbourhood Housing Offices	(100)	(100)	(100)
	(2,228)	**(2,228)**	**(2,228)**
Other			
Admin Staffing	(200)	(200)	(200)
Contribution to Technical Services Review Team	(120)	(120)	(120)
Net Interest on Debt	(1,641)	(1,641)	(1,641)
Contribution from Reserves	(1,020)	(1,020)	(400)
	(2,981)	**(2,981)**	**(2,361)**
Total Savings Identified	**(6,815)**	**(9,732)**	**(11,344)**

Appendix D

Rent Comparison Figures

<table>
<tr><th>Property type</th><th>HRA* 2018/19</th><th>Formula Rent ** 2018/19</th><th>Housing Association 2016/17***</th><th>Private Sector (LHA rate) 2018</th><th>Private Sector (city wide)**** 2017/18</th></tr>
<tr><td></td><td>£</td><td>£</td><td>£</td><td>£</td><td>£</td></tr>
<tr><td>Room only</td><td>-</td><td>-</td><td>-</td><td>£61.38</td><td>£76.85</td></tr>
<tr><td>Bedsit (studio)</td><td>£53.48</td><td>£63.38</td><td>£58.76</td><td>-</td><td>£84.46</td></tr>
<tr><td>1 bed</td><td>£62.65</td><td>£67.67</td><td>£69.02</td><td>£86.30</td><td>£105.69</td></tr>
<tr><td>2 bed</td><td>£73.94</td><td>£77.98</td><td>£81.96</td><td>£109.32</td><td>£126.92</td></tr>
<tr><td>3 bed</td><td>£81.77</td><td>£86.63</td><td>£90.28</td><td>£126.58</td><td>£152.31</td></tr>
<tr><td>4 bed</td><td>£93.78</td><td>£97.97</td><td>£106.50</td><td rowspan="3">£163.16</td><td rowspan="3">£230.31</td></tr>
<tr><td>5 bed</td><td>£100.84</td><td>£105.83</td><td>£110.65</td></tr>
<tr><td>6 bed</td><td>£126.39</td><td>£111.86</td><td>£124.50</td></tr>
</table>

* LCC Income Management Team

** LCC Finance

***Homes Communities Agency SDR (6 beds = 6+ beds)

**** Valuation office (4/5/6 beds = 4+ beds)

Other Service Charges and Payments – Proposed 2019/20 Charges

There are a number of charges associated with providing services to tenants as part of their rent.

(i) Use of Guest Room (Sheltered Housing Schemes)
The current charge for use of the guest room at Sheltered Housing Schemes is £10 per night and it is proposed this remains the same.

(ii) Replacement Rent Swipe Cards
The current charge for a replacement swipe card is £5.00 and it is proposed this remains the same.

(iii) Other HRA Properties
There are 8 properties in the HRA that have a protected rent. In line with the requirement to reduce rents the rents will be reduced by 1%.

Payments

(iv) Disturbance Allowance
Disturbance allowances are paid when a full property electrical rewire is required and carried out to an occupied LCC-owned property. A disturbance allowance can also be paid where it is necessary to undertake major works in an occupied property. The disturbance allowance is currently £155 per dwelling. This was increased by 25% in 2011/12 and it is proposed this remains the same.

(v) Decorating Allowances
Decorating allowances are paid to new tenants. The amount paid is based on the condition of the property in relation to decoration and is paid on a per room basis. Current proposed allowances are set out below.

Allowance amounts:-

Bathroom	£45.00
Kitchen	£56.25
Lounge	£67.50
Dining Room	£67.50
WC (where separate)	£22.50
Halls (flats/bungalows)	£45.00
Hall/Stairs/Landing	£78.75
Large Bedroom	£67.50
Middle Bedroom	£56.25
Small Bedroom	£36.00

Appendix F

How Priorities are Assessed for HRA Expenditure

1. The overall aim of Leicester City Council's Housing Division is to provide a decent home within the reach of every citizen of Leicester. This appendix sets out how we can best meet our five major priorities for investment in our 20,667 council homes and their neighbourhoods. These plans support the Administration's manifesto pledge of building pride in our neighbourhoods and stronger communities.

2. The priorities are:

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

3. We have made a commitment to our tenants to provide our services in an economic and effective way. One of the City Mayor's programme of Spending Reviews therefore covers the Housing Revenue Account. The Housing Transformation Programme began in 2013 and since then all housing associations and council owned housing providers are required to decrease rents by 1% each year for 4 years. Given the significant reductions in income, to deliver a balanced budget each year until the end of 2020/21, changes to service delivery have been required to make savings. It is proposed that the Executive consider the continued outcome of work on the HRA Spending Review. Where this work proposes changes to services to tenants the Tenants' and Leaseholders' Forum is consulted and the proposals are considered by the Housing Scrutiny Commission.

Priority one – Providing Decent Homes

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

4. Nearly one in six homes in Leicester is a council house, flat, maisonette or bungalow. It is crucially important that we look after these assets, not just for current tenants but for those who will live in them for many years to come. When we plan the Housing Capital Programme we must consider what investment will be needed over at least the next 40 years, not just the next three or four years.

We must ensure we do not let the programmes for essential items with long life spans fall behind, for example roofs, boilers, wiring, kitchens and bathrooms.

5. Providing decent homes is not just about ‘bricks and mortar’, it can also lead to improvements in educational achievement and health, help tackle poverty and reduce crime.

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

7. Major works are planned for all council housing following an assessment of condition, age, tenant priorities and other criteria set as part of the Decent Homes Standard.

8. The Government’s current definition of a Decent Home is one that satisfies all of the four criteria:

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

   The Government’s green paper “A new deal for social housing” was published in August 2018. This document stated the Government were considering a review of the Decent Homes Standard so the current criteria may change in the future, for which we will need to respond to.

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

10. From time to time major refurbishment or redevelopment projects are required. The current ones are the kitchen and bathroom refurbishment programme, St Peters tower block refurbishment, central heating and boiler upgrades and the electrical improvement programme.

11. It is crucial we continue to repair and maintain homes. There has been a reduction in the number of outstanding jobs that are out of category. At the end August 2017 there were 547 outstanding jobs. At the end of August 2018 this had reduced by 237 to 310.

12. Improvements have been made to our processes to reduce the length of time homes are vacant to ensure that new tenants are rehoused into suitable

accommodation as quickly as possible and loss of income is minimised. At the end of June 2016, the average re-let times for normal voids was 59.4 days, at the end of June 2018 this had been reduced to 48.5 days.

13.
14. Below are some of the main criteria used to plan major works in Council properties:

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

Achievements in 2018/19 and proposals for 2019/20

15. In 2018/19 £25,198k has been invested in maintaining our homes and a further £17,264k for improvements through the Capital Programme.

Programmed element	Achievements and proposals
Kitchens and bathrooms	We expect to have installed 800 kitchens / bathrooms in 2018/19. During 2019/20 we are expected to install a further 800 kitchens / bathrooms. As at the 1st April 2018 73% of all council properties have had either a Leicester Standard kitchen or bathroom.
Rewiring	We expect to have rewired 850 homes in 2018/19 and a further 850 during 2019/20
Central heating boilers	Investment is calculated to replace boilers every 15 years based on condition data from the annual gas service. We expect to have replaced 1,280 boilers in 2018/19 and a further 1,280 2019/20
Roofing and chimneys	We expect to have installed 90 new roofs in 2018/19 and 125 in 2019/20
Central heating systems	We have 162 properties without any form of central heating. In these cases tenants have refused to have central heating installed. Provision is made in the programme to install central heating on tenant request or when these properties become vacant.
Windows and doors	Excluding properties in Conservation Areas where there are often restrictions on the use of UPVC, we have 51 properties that do not have UPVC double glazed windows. In these cases tenants have refused our previous offers of installing double glazing. Provision is made in the programme to install windows / doors on tenant request or when these properties become vacant. Future investment will be targeted at installing secondary glazing to properties in Conservation Areas.
Structural works	Investment is required to address any structural works identified each year. As well as dealing with structural problems such as subsidence, issues such as woodwork treatment and failed damp proof courses are also dealt with when identified

Soffits, fascia's and guttering	By replacing these items with UPVC we reduce long term maintenance costs. During 2018 we anticipate replacing 102 soffits, facias and gutters and a further 125 in 2019/20. Our priorities have changed in terms of this type of work and we are looking to significantly increase the number of roofs replaced over the next 10 years. Substantial cost savings can be achieved by grouping the replacement of soffits, facias and guttering whilst replacing roofs
Condensation works	Investment is required to target those properties that have been identified as being more susceptible to condensation related problems because of their construction type or location. A multi option approach is adopted along with the use of thermal imaging technology to produce property specific solutions. In 2018/19 we expect to complete work on 740 properties and a further 745 in 2019/20. Advice to tenants is also important as their actions can alleviate condensation problems, for example opening windows when cooking.
Safety and fire risk work	Investment is required to implement the planned programme of fire safety measures, as agreed with the Fire Service (see point 16.)
St Peters Tower Block refurbishment, including lifts	A major programme is coming to an end to refurbish four tower blocks in St Peters. This work has involved fitting new bathrooms and kitchens, installing individual heat meters to give tenants more control over heating bills, removing asbestos, upgrading pipework and risers for district heating and providing new lifts. The total cost of this project is £10.3m and is due for completion in April 2019.
E communications for repairs service	During 2018 we procured new mobile working software and handheld devices which have recently come into use within the repairs service. This will lead to efficiencies and an improved service to tenants

16. We expect to carry out approximately 90,000 responsive repairs during 2018/19.

17. Fire safety is of paramount importance to us as a landlord. We have policies and procedures in place to reduce the risk of fires, for example our Assistant Housing Officers carry out regular fire inspections to properties with communal areas such as flats, maisonettes and houses in multiple occupation. All these buildings have their own fire risk assessments and people are provided with a personal evacuation plan in case a fire starts. We have a no tolerance policy on items left in communal areas. If found these are removed so evacuation routes

remain clear and combustible items are not left to encourage the spread of fire. Our fire safety work includes implementing recommendations made by the fire service. None of our 6 tower blocks contain external cladding, which contributed to the spread of the fire at Grenfell Tower in 2017, nor do they have gas supplies. During a 2018 a decision was made to draw up plans to demolish Goscote House. The reason for this is that, although it is currently safe to live in, the projected longer term structural costs of keeping it safe would be unviable. The tower blocks in St Peters have or will be having passive fire protection upgraded as part of the refurbishment work already taking place. This includes communal fire doors and emergency lighting. St Leonards Court has passive fire protection measures in place. The installation of a second lift at St Leonards Court is scheduled for completion during 2019/20. We have agreed to fit sprinkler systems at our 5 storey tower blocks. Work on the first of these is scheduled to begin in late 2018 and this should be concluded by the summer of 2019. It is expected that the work to the remaining 4 blocks will be completed by 2021.

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

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

18. Creating sustainable communities is about more than housing, it means cleaner, safer, greener neighbourhoods in which people have confidence and pride.

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

20. As part of the Council's Transforming Neighbourhood Services programme housing office services are now in shared buildings within local communities.

Achievements in 2018/19 and proposals for 2019/20

21. In 2018/19 the budget for environmental and communal works was £750,000. It was shared across the city in all neighbourhood housing areas. Works included parking improvements, resurfacing courtyards, improving the security of estates by the installation of gates and removal of bushes. Specific examples are:

- Creating a new car park on Kashmir Road, St Matthews
- Improvements to shrubbed areas in St Peters

- Additional security to Thurncourt Road shops
- Providing new bin areas to flats in Rowlatts Hill
- Improvements and increased parking in New Parks
- Improvements to external appearance of flats in Beaumont Leys
- Communal painting, new doors for the bin stores, fencing and security lighting improvements to blocks of flats in Mowmacre

22. The Leicester to Work scheme (see also priority 5) carries out painting, clearing of alleyways, removal of graffiti and other works to improve the look of the local environment.

23. The programme of upgrading door entrance schemes will continue based on condition surveys. We expect to upgrade 7 door entrance schemes during 2018/19 and a further 17 in 2019/20.

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

25. District Managers attend ward community meetings and other local forums. We work closely with the police and are involved in the local Joint Action Groups.

26. We publish an Annual Report to tenants and information is also communicated through the Your Leicester electronic newsletter and the Council’s Twitter and Facebook accounts.

27. The Customer Services Centre runs a telephone advice line during working hours where tenants can report repairs and tenancy issues. Out of hours emergency calls are taken by an external provider. Last year the Customer Service Centre received 188,436 calls during the working day on the tenants’ advice line. 123,371 were about repairs, 38,163 were to discuss tenancy management issues and 26,902 to discuss rent payments. A further 15,433 calls were made out of hours.

28. We are now working on a programme to provide greater on-line access to our services, through the Council’s website. Examples of what this will enable tenants to do include:
    - Making a rent payment
    - Setting up a direct debit
    - Viewing their rent account
    - Reporting a repair and enabling them to select a convenient date and time for the appointment
    - Reporting anti-social behaviour

29. We respond vigorously to reports of anti-social behaviour and have CCTV on many parts of our estates. In 2017/18 we received 846 reports of anti-social behaviour that were investigated and where necessary action was taken against perpetrators. This was 122 more reports than the previous year. In the first 3 months of 2018/19 we had received a total of 259 reports.

30. We work closely with the Tenants' and Leaseholders' Forum which has representatives from across the city. During 2018 / 19 the topics the Tenants and Leaseholders' Forum have discussed include:

- Annual report to tenants
- Channel Shift
- Repairs service
- Homelessness
- Universal Credit
- Voids and Property Lettings
- Grounds Maintenance
- The review of the Conditions of Tenancy
- These 2019 / 20 HRA budget proposals

The Tenants' and Leaseholders' Forum have also been consulted on this year's HRA budget proposals.

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

<u>Why is this a priority and what is our planned approach to achieving it?</u>

31. The council and its partners have committed to cut carbon emissions by 50%, relative to 1990 levels by 2025. Part of this target was to reduce residential CO2 emissions from 651,000 tonnes in 2006 to 530,000 tonnes by 2012, a reduction of 121,000 tonnes. Council housing accounts for approximately 16% of all residential housing in the city. Therefore, its pro rata contribution towards carbon reduction target is 20,268 tonnes. Through the Housing Capital Programme CO2 emissions from council houses reduced by 58,523 tonnes between 2005 and March 2017. This means that we have already exceeded our target by 180%.

32. This has been achieved by window replacements, new central heating installations, new energy efficient boilers and controls, internal and external wall and roof insulation and solar panels.

33. The most cost effective opportunities for carbon savings in the council stock are diminishing now that all properties have double glazed UPVC windows and all

cavity walls have been insulated. However, any further reductions will help towards the city target and will improve energy efficiency for individual tenants and reduce fuel poverty.

34. There are three areas of energy efficiency work to prioritise as funds become available. These are:

- Completing external wall insulation on all suitable properties (we have 1,194 left to do)
- Installing individual meters for tenants on district heating schemes (2,460 properties)
- Doing specialist work on the hardest to heat houses. For example, those properties with small wall cavities which are not suitable for typical wall installation programmes. There are 1,205 of this type.

Achievements in 2018/19 and proposals for 2019/20

35. During 2018/19 we continued our programme of installing more efficient boilers as boilers need replacing, increasing loft insulation to 250 mm and putting in double glazed windows and doors as demand arises. This work will continue in 2019/20.

36. Approximately 2,891 properties are on our district heating scheme. These tenants can control the heat in their radiators. However, without individual heat meters they cannot be charged exactly for the heating and hot water they use. A pilot scheme of installing 50 meters showed that, on average, tenants saved 33% when they could see the link between their heating and hot water consumption and the bill they pay.

37. We have been installing heat meters to our homes as part of the St Peters tower block scheme. 340 properties have been fitted with meters under this scheme. heating. In 2019/20 will be looking at options to install meters in other district heated properties. To do this we will be starting a procurement exercise to invite submissions from contractors about various heat meter designs and solutions. Once this has been completed an evaluation will take place on the option for the best way forward.

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

<u>Why is this a priority and what is our planned approach to achieving this?</u>

38. Leicester is a city with relatively low household incomes. For many, renting from the council or a housing association is the only hope of a decent and settled home. In September 2018 there were 6,010 households on the Housing Register.

39. Right to Buy sales reduce the number of council houses available at an affordable rent. Since 2012, when the government increased the maximum discount and reduced the qualifying period, Right to Buy sales have increased. In 2017/18 we sold 409 homes. During the first quarter of 2018/19 we sold 106. It is estimated that we will have sold between 400 and 450 by the end of 2018/19.

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

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

    - The Government's long-standing cap on the amount of borrowing we can raise within our Housing Revenue Account. This has very recently been removed.

    - The limited land available in the city for residential development (including for Affordable Housing.) The council has been reviewing its landholdings and, as part of its new Local Plans process, inviting others to put forward sites in any ownership which might be suitable for development.

    - The Government's requirement that funds available to invest in the new supply of Affordable Housing from either Homes England's programme or from Right to Buy receipts can only meet a portion of the total costs of new supply. Homes England funds and Right to Buy receipts cannot be used together towards the funding of any dwelling. The balance of the costs must be funded by other means.

Current projections show that we expect to achieve a total of 352 new Affordable Housing homes between 2018 – 22. Regular monitoring reports to show progress are taken to the Affordable Housing Programme Board.

42. Each year the Capital Programme funds the adaptions of tenants existing homes where Adult Social Care and Children's Services identify the current tenant or family members needs those adaptions.

43. The service also works closely with Children's Services to help looked after children, foster families, children leaving care and other vulnerable families.

44. By giving priority through the Housing Register the council continues to seek to reduce overcrowding and address other priority needs, many of which can have an impact on health and mental health.

45. The Supporting Tenants and Residents (STAR) service provides one-to-one support for council tenants who might otherwise lose their homes. Priority is given to support those in rent arrears, those who have been previously homeless and those who have other problems which means they are not coping or complying with tenancy conditions.

46. Housing Officers undertake a programme of Welfare Visits to tenants who may be vulnerable. This is an opportunity for us to check whether the tenant is coping in their home and where appropriate we sign post or refer people to support services. This is a preventative measure to help sustain tenancies, ensure people are safe, well and enables us to act before a crisis point is reached. Between April and June 2018 over 800 Welfare Visits took place to tenants who we had identified might claim Universal Credit in the early roll out of the new benefit. This was to put in place any support they might need to make and maintain their claim for Universal Credit.

What will we achieve in 2018/19 and what are we proposing for 2019/20?

47. The Affordable Housing Programme delivered 81 new homes in 2017/18 and it is predicted a further 79 for 2018/19.

48. In 2018 a decision was made to set up a Housing Company, Housing Leicester Ltd, to further enable the supply of new affordable housing in the city. Although owned by the Council, this is a private company. A Housing Company provides additional opportunities to build new accommodation for social or affordable housing, for market price sale and private sector renting. Initially 2 phases of development have been identified for the Housing Company up until 2021, which would provide up to circa 400 new units of accommodation. Following the lifting of the HRA borrowing cap, the strategy of how the Company is best used will be reviewed.

49. This year it is expected that work will be done in 1170 homes (minor work to 948 properties, under £500 and major work to 222 properties, over £500) to make them more suitable for existing council tenants with disabilities or for those who have waited a long time on the Housing Register. This work will continue in 2019/20 in response to assessments by Adult Social Care.

50. Vacant council and housing association properties are advertised through Leicester HomeChoice. Last year 251 council tenants transferred within the stock to homes better suited to their need and 757 households became new council tenants. A further 283 households obtained housing association tenancies. Up until the 3rd September 2018 39 tenants transferred properties, there were 174 new tenants and 59 obtained housing association tenancies.

51. The Income Management Team continues to ensure rent is paid and tenants with arrears are given support to clear their debt. In 2017/18 99.65% of rent was collected, which is a high percentage rate when compared with other similar sized authorities. Total rent arrears, at the end of 2017/18, stood at £1,442,250, £19,104 less than the previous year. The team works closely with the Housing Benefits service and makes referrals for Discretionary Housing Benefit. In 2017/18 £359,939 in Discretionary Housing Benefit payments were made to council tenants. Only 41 tenants were evicted for rent arrears in 2017/18, the lowest number in the last 3 years. There are now greater challenges to collect rental income with the introduction of Universal Credit in Leicester in June 2018. The rent costs of the new benefit are now paid directly to the claimant and therefore tenants will be responsible for paying the rent themselves, unlike having their housing benefit paid directly to the council. Other authorities, where this has already been introduced, have seen a substantial increase in their level of rent arrears. The council has taken steps to mitigate this risk by recruiting to 4 new posts, Rent Management Advisors, to support tenants apply for Universal Credit, manage their claim and pay their rent. Neighbourhood Housing Officers have also visited over 800 tenants who we believe may move onto Universal Credit quickly to establish whether they have support needs that the Rent Management Advisors can assist with. The Department of Work and Pensions has granted the council Trusted Partner status. One of the benefits of this is that we can automatically apply for managed rent payments directly to us, for those tenants that are vulnerable or are likely not to pay their rent.

52. By mid-September the Rent Management Advisors had received a total of 316 referrals and most of these tenants have only required general advice or short-term support whilst they make their initial UC claim. Around 35 have been identified as requiring more long-term support, which the officers are providing.

53. In June we started a 3-month pilot of co-locating Income Management Team Officers in the 3 Job Centre Plus sites (JCP). This is so we can meet with our tenants at the same time they have their first meeting with their work coach. We use this opportunity to advice on their responsibility to pay their rent themselves and establish whether they need any support to manage their claim, for which a referral to a Rent Management Advisor is made. This working arrangement has proved successful and there has been positive feedback from both our officers and DWP staff working in JCP.

54. Around 400 Universal Credit claimants have been seen by Income Management Officers and 34% of these were council tenants. Other enquiries have included those from JCP staff (work coach), private sector and housing association tenants. In these circumstances our officers have provided housing related advice or signposted to other services available.

55. As a result of this success, and the fact we expect to see more council tenants apply for Universal Credit, we are extending the co-location pilot for a further 3 months The team will be giving a presentation at the Job Centre's team meeting to increase the number of council tenants they refer to the co-locating officers and using this opportunity to upskill JCP staff with knowledge around housing.

56. Generally, the relationship and partnership working with the DWP has been excellent and not just restricted to the co-location activity. We have been able to discuss complex cases with work coaches to support tenants in sometimes challenging and difficult situations. The Income Management Team also have access to the Derby Service Centre that is responsible for the back office processing of UC claims and are able to elevate complex cases for quick resolutions.

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

<u>What is our planned approach for achieving this?</u>

57. Contracts are placed through the corporate procurement unit which takes steps to use council spending to stimulate the local economy. All contracts have local labour clauses.

58. The service will continue the excellent record of training craft apprentices so they can develop the skills and knowledge to join the workforce and help maintain the stock. Many steps are taken to encourage women and people from ethnic minority backgrounds to join the craft workforce.

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

Achievements in 2018/19 and proposals for 2019/20

60. The total value of our contracts, funded through the HRA is £14.6m in 2018/19. The Housing Division employs a workforce of over 850 staff funded through the HRA.

61. 43 Apprentice Maintenance Technicians completed their apprenticeships in 2018 and 30 of these successfully achieved permanent employment with Leicester City Council. This scheme will be reviewed regularly to ensure it meets the needs of the service and the apprentices.

62. Housing's Neighbourhood Improvement scheme continues to help the long term unemployed by giving pre-employment training and a period of work experience. During 2017/18 38 people were employed on 6-month fixed contracts as Neighbourhood Improvement Officers and up until September 2018 a further 20. Their work on our estates includes painting, clearing overgrown areas, tidying unsightly spots, cleaning UPVC windows and removing rubbish.

Appendix G

Tenants' and Leaseholders' Forum meeting

6th December 2018

Feedback on the proposed HRA Rent Setting and Budget for 2019/20

Tenants and Leaseholder Forum- Consultation feedback-

On the 6th December 2018 the Tenants' and Leaseholders' Forum were presented with this report and the proposals for the Housing Revenue Account rent setting and budget for 2019 / 20. The Forum was consulted on these proposals and they have provided the following feedback.

The Forum thought this was a fair budget and money was being used to address some of the issues they had previously raised.

They appreciate the financial pressures faced by the Council, as a result of the 1% rent reduction, Right to Buy, inflation and Universal Credit. They stated the Council should continue to look at their internal processes to see where further savings could be made, for example, improved void times.

The Forum accepted the proposed 1% rent reduction for 2019 / 20 was a Government requirement, for which the Council has no control. However, they wanted it noted that they had concerns about the impact of rent increases on tenants in future years, when this restriction is lifted.

The Forum members felt the proposed 2% increase related to service charges seemed reasonable. However they felt it was difficult to comment further because the financial impact would vary for each tenant, dependant on the services they received.

Members thought that although the proposed 3.7% increase for garage rents would raise average rents to £9.09 a week, they thought this was still relatively cheap. The Forum requested that the Council considers looking at the future use of garages on estates, many are small in size and cannot fit modern day vehicles, so they are not used.

The Forum members supported the Spend to Save proposals, particularly investment in the maintenance of communal areas. The condition of communal areas has previously been raised at Forum meetings, so they thought this investment will help to resolve some of these.

The Forum stated they understood the additional investment required to maintain the district heating system, but asked whether some of these costs could be charged to the District Heating contractor.

The Forum members raised concerns about the additional proposed contributions to the General Fund. They felt that access to the domestic noise team was limited, particularly during the evenings and at weekends. Therefore, if contributions from the Housing Revenue Account were to be made the service should be improved. They also felt the contributions to the City Warden service were too high and felt that tenants living on outer estates do not benefit from this service.

Members were in favour of investment in van racking and believe this will allow operatives to carry more equipment and parts, which in turn will mean more repairs are carried out at the first visit to tenants.

The Forum was concerned about the increase in rent arrears, directly as a result of Universal Credit, and noted the proposal to increase the bad debt provision by £0.1m as a result of this. However, as Universal Credit is a Government initiative they suggested that officers should write to the Department of Work and Pensions to seek compensation for this debt.

In terms of the proposed Capital Investment the Forum made particular comment on the following proposals:

<u>Installing sprinkler systems and fire door replacement</u>

The Forum agreed this was essential investment. However, they questioned why the council was paying for this work. One Forum member had attended a presentation from the previous Housing Minister who stated the Government was making money available for local authorities for fire precaution work as a result of the Greenhill tragedy, but this has not materialised. The Forum agreed that they would write to their MP’s to raise their concerns about local authorities having to fund this work.

<u>Buying back council properties</u>

The Forum was in favour of this proposal but raised concerns that people who had previously benefited from Right to Buy discounts would be making a further profit on the sale of their home at the market price.

<u>Loft conversations and extensions to address overcrowding</u>

Forum members thought this was a brilliant idea, which would be cheaper than re-housing. It also meant people could stay within their community. They asked officers to consider moving tenants out on a temporary basis whilst major work was carried out on properties.

Demolition of garages on St Matthews

The Tenant Forum member for St Matthews commented on this proposal stating this work needed because the garages were full of asbestos and some were in a poor condition. This proposal was therefore supported.

Refurbishment work to Mowmacre Neighbourhood Housing Office

The Forum questioned and raised concerns about the cost of this work. They felt work should be undertaken to see whether these costs could be reduced.

New Build

Members stated new council housing was definitely needed and supported the proposed HRA investment from reserves and borrowing.

Communal improvements and environmental works budget

The Forum stated they were please that funding in this area was remaining, and no reductions were being proposed. They wanted to re-iterate that local tenant representatives and groups should continue to be involved in identifying projects for this budget and consulted on proposals being considered.

Kitchen and bathroom budget

Again, the Forum members were pleased that funding in this area was remaining as this work was one of the key priorities for tenants.

Appendix H

Leicester City Council

HOUSING SCRUTINY COMMISSION

Held on Monday 17th December 2018

Housing Revenue Account 2019/20 to 2021/22

I am writing as chair of Leicester City Council Housing Scrutiny Commission, following our meeting of 17th December 2018 to consider the three-year Housing Revenue Account (HRA) budget for the next three years.

I would firstly like to refer to the response of the tenants and leaseholders, who met for two hours earlier this month to consider the department's HRA proposals. The comments are important because they come from those who directly use the council's services and are in the best position to see how well those services are performing. The Scrutiny Commission echoes the tenant representatives' comments supporting the proposals and agreed to note:

- The financial pressures on the HRA
- The proposed rent reduction of one per cent and the increases in service charges and garage rents
- The proposal for unchanged hostel rent levels.

This budget does mark a watershed for the department in that it will include the last year of a four-year programme of reducing rents by one per cent each year. These reductions were at the direction of government.

From the second year of the proposed programme the adjustment of the Government's rent cap will (for now) allow for increases in rents and the Commission acknowledged that rents would be likely to rise by Consumer Price Index (CPI) plus one per cent – the highest allowed under current government rules.

We note that the tenant representatives suggested that they might want to comment on future rent proposals, but that will be for another time. Meanwhile the Commission recognises the negative impact on the department's plans for building new homes out of HRA funds and improving the housing stock and the environment of estates across the city.

Many programmes have been cut back over the last three years. However, they were pleased to note the 12-month pay-back period for the installation of new LED lighting in communal areas and in walkways. This was an environmentally and economically strong programme and is being continued.

Looking at the capital programme, we particularly welcomed the plans to build 50 new homes across six sites. The Commission also welcomed the evidence presented about improving fire safety across all estates, but particularly within the high-rise blocks in the city.

The Commission understands the reasons for demolishing Goscote House but will be keen to see proposals for redevelopment on the site. The commitment to investing in the stock through kitchen, bathroom and boiler replacements was welcomed.

The Commission also supported the contributions being made to General Fund programmes aimed at improving living conditions on the council's estates, including enforcement programmes relating to anti-social behaviour, fly-tipping and litter. This was also appreciated by the tenant representatives.

The draft budget included further allowances for debt arising from the roll-out of the Universal Credit (UC) system. Members shared officers' concerns about the potential impact of switching to the new system, but also noted that there was good joint-working with the Department of Work and Pensions (DWP) at local level.

Members may wish to review that operation in the future. They also indicated scrutiny will continue to take an interest in the issues of voids – their numbers and the times taken to bring them back into occupation, the effectiveness of the repairs and maintenance programme and the impact of mobile technology.

Yours sincerely

Cllr Paul Westley

Chair, Leicester City Council Housing Scrutiny Commission

Equality Impact Assessment (EIA) Template: Service Reviews/Service Changes

Equality Impact Assessment (EIA) Template: Service Reviews/Service Changes

Title of spending review/service change/proposal	Housing Revenue Account Budget 2019/20 to 2021/22
Name of division/service	Housing
Name of lead officer completing this assessment	Helen McGarry, Business Change Manager, Ext 454 5129 helen.mcgarry@leicester.gov.uk
Date EIA assessment completed	
Decision maker	Full Council
Date decision taken	20th February 2019

EIA sign off on completion:	**Signature**	**Date**
Lead officer	Charlotte McGraw	20th October 2018
Equalities officer	Hannah Watkins	20th October 2018
Divisional director	Chris Burgin	20th October 2018

Please ensure the following:

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

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

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

1. Setting the context

Describe the proposal, the reasons it is being made, and the intended change or outcome. Will current service users' needs continue to be met?

The Housing Revenue Account Budget report is proposing a 1% reduction in council home rents in 2019 / 20. The budget is being proposed in the context of the Government requirement that rents are reduced by 1% p.a. for a four year period from 2016 to 2020. This means it is expected that there will be £0.7m less income to the Housing Revenue Account in 2019 / 20 as a result of this rent reduction. Over the 4 year period annual income for the Housing Revenue Account will have fallen by £3.1m purely as a result of the rent reduction policy. The report recommends that the budgets for the three years from 2019 / 20 to 2021 / 22 are set as balanced budgets, with the use of reserves to fund specific schemes. The Housing Revenue Account is facing further burdens as a result of increased Right to Buy sales, inflation, repair requirements to the district heating system, additional contributions to General Fund activities, the impact of Universal Credit and the ongoing need to fund capital expenditure from revenue. As well as the 1% rent reduction for 2019 / 20 the changes the report is recommending are:

- Increasing service charges by 2% (excluding district heating and communal cleaning) and garage rents by 3.7%
- Increasing the provision for bad debt and debt write offs as a result of the impact of Universal Credit - £0.1m
- Increasing capital expenditure from £17.3m in 2018 / 19 to £31.0m in 2019 / 20 before falling back to £17.6m in 2020 / 21 to fund:
  - Installation of sprinkler systems in 5 tower blocks - £1.35m
  - Fire door replacements - £150k
  - Property Acquisitions - £4.88m
  - Demolition of Goscote House - £3m
  - Property conversions to address overcrowding - £0.5m
  - Demolition of garages in St Matthews to create additional parking spaces - £250k

- District heating maintenance - £725k
- Border House reconfiguration – cost to be confirmed
- Extending the re-roofing programme - £450k
- Improvements to sheltered housing – cost to be confirmed
- Neighbourhood Hub- Refurbishment work at Mowmacre Housing Office - £450k
- New build housing - £6.2m

- Investment in “spend to save” activities where spend now will reduce ongoing spend in the future:
  - Removal of all textured coatings in void properties so asbestos does not have to be removed when the property is tenanted - £50k
  - Pro-active maintenance of communal areas to reduce subsequent repair requests - £250k
- Additional contributions to the General Fund:
  - To address domestic noise complaints - £70k
  - The investigation and enforcement work undertaken by City Wardens, e.g. fly tipping - £100k
  - Dealing with anti-social behaviour - £75k
- It is recommended that savings are achieved through:
  - The deletion of vacant administration posts £0.2m saving
  - Increasing the number of re-wiring upgrades rather than full re-wires - £100k saving

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- Carrying out a small proportion of boiler replacements in house - £75k saving The main service need of tenants is that they have a suitably sized, Decent Home, maintained through an effective repairs service with quality tenancy and estate management services. Current service user needs will continue to be met with the recommendations being made.

2. Equality implications/obligations Which aims of the Public Sector Equality Duty (PSED) are likely be relevant to the proposal? In this question, consider both the current service and the proposed changes.	
	Is this a relevant consideration? What issues could arise?
Eliminate unlawful discrimination, harassment and victimisation How does the proposal/service ensure that there is no barrier or disproportionate impact for anyone with a particular protected characteristic	From this equality impact assessment no significant impacts have been identified.
Advance equality of opportunity between different groups How does the proposal/service ensure that its intended outcomes promote equality of opportunity for users? Identify inequalities faced by those with specific protected characteristic(s).	The proposals continue to commit to the provision of decent homes to council tenants and equality of opportunity for people to have decent homes to live in. The standard of accommodation in council owned properties is higher than in some areas of the private sector.
Foster good relations between different groups Does the service contribute to good relations or to broader community cohesion objectives? How does it achieve this aim?	Maintaining properties and making improvements on estates creates an environment where people are satisfied with their homes and the area they live in, reducing the likelihood of anti-social behaviour and community tensions.

3. Who is affected?

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

The proposal to reduce rents will affect all Leicester City Council tenants across the city. Approximately 30% of tenants are in receipt of full housing benefit at present and will continue to have any rent payable covered by their benefit entitlement. We currently have approximately 650 tenants in receipt of Universal Credit. These tenants will have their housing costs covered by the new benefit, even though the majority will be responsible for paying the full rent themselves. The positive impact of having to pay less rent will affect approximately 70% of tenants who are in receipt of partial or no housing benefit or Universal Credit. The impact of the rent reduction will be dependent on the tenants' financial situations rather than any protected characteristic.

Service charges are added to rent when improvement work has been completed in a property or extra services are provided, for example, new central heating systems. All tenants who pay these charges will need to pay 2% more each week for these. The charge will depend on what improvement work has taken place over time at each property. Work is carried out as a result of the condition of a property through the capital programme and is therefore not based on a persons' protected characteristic.

Approximately 30% of tenants are in receipt of full housing benefit and they will continue to have any service charge payable covered by their benefit entitlement. Tenants in receipt of Universal Credit will also continue to have the cost of service charges included in their housing cost element of the benefit. The negative impact of having to pay more for service charges will affect approximately 70% of tenants who are in receipt of partial or no housing benefit or Universal Credit. The impact of the service charge increase will be dependent on tenants' financial situations rather than any protected characteristic.

Council owned garages are rented out to members of the public generally, not just council tenants. The charge is not covered by housing benefit or Universal Credit. We currently have around 1300 garages available for rent, so the proposed 3.7% increase could impact upon 1300 people, dependant on how many garages are actually let at any one time. Our protected characteristic profiling information in relation to people renting garages is currently limited, so it is not known whether there will be a bigger impact on a particular group. However, the impact is more likely to be as a result of a person's financial situation and ability to pay the extra rent rather than as a result of having a particular protected characteristic.

Currently single people, couples and families with 2 or less children are able to claim Universal Credit if they have a change in their working situation. As the managed migration of Universal Credit tenants commences during 2019 families with more than 2 children and those people who have not yet had a change in their working situation will be transferred onto Universal Credit. The proposal to increase bad debt provision to mitigate the impact of rent arrears as a result of Universal Credit is not related to a persons protected characteristic, but as a result of their financial situation. Tenants above pension age are not required to apply for Universal Credit and will remain on existing benefits, therefore they will not be affected by this proposal.

The Housing Capital Programme generally benefits all tenants in the city. Projects to improve individual properties are decided on their condition to meet health and safety regulations, rather than a protected characteristic of a tenant. Decisions on the Capital Programme are based on the age of properties, the predicted lifespan of when items will need to be replaced and health and safety regulations. The impact for tenants will generally be positive as properties and areas are improved.

- Installation of sprinkler systems to tower blocks – the tower blocks are located in Centre area of the city where we know we have a higher proportion of tenants from a BME background. However, the proposal is being made as a result of health and safety concerns. All tenants will benefit from this work, not just those with a protected characteristic of tenants
- Fire door replacements – this proposal relates to properties across the city to meet health and safety requirements, all tenants effected will benefit from this work, not just those with a protected characteristic of tenants
- Buying back council properties – this proposal is being made to support an increase in affordable housing in the city and not based on the protected characteristic of tenants. However, dependant on the type of properties bought, single people, families and those with disabilities, in housing need on the Housing Register, will benefit from being re-housed
- Demolition of Goscote House – We know there is a higher proportion of BME tenants living in the tower block. However, the proposal is being made as a result of future health and safety concerns. All tenants within the block will be impacted upon as they will need to be re-housed.
- Conversions to address over-crowding - this proposal is to address individual overcrowding situations of tenants, irrespective of their protected characteristic
- Demolition on St Matthews – we know there is a higher proportion of BME tenants living in St Matthews. However, this proposal is to address parking issues on the estate for which all tenants, irrespective of their protected characteristic will benefit
- District heating maintenance – 2,891 of our council tenants are on the district heating scheme across the city. However, a large number of these are located in the Centre area of the city. We know there is a higher proportion of BME tenants living in this area. However, this proposal is to address maintenance issues of the heating system for all tenants receiving this service, irrespective of their protected characteristic.

- Border House reconfiguration – this proposal is put forward to improve the temporary accommodation we provide to homeless families, irrespective of their protected characteristic. Future homeless people with children will benefit from improved temporary living conditions. However, disruption may be caused to families whilst the re-configuration work is taking place

- Re-roofing programme - this proposal relates to properties across the city to meet health and safety requirements, all tenants effected will benefit from this work, not just those with a protected characteristic of tenants

- New build housing - this proposal is being made to support an increase in affordable housing in the city and not based on the protected characteristic of tenants. However, dependant on the type of properties built, single people, families and those with disabilities, in housing need on the Housing Register, will benefit from being re-housed

- Improvements to sheltered accommodation – this proposal has been identified as a result of visits to similar schemes run by other organisations. In general this accommodation is available to tenants over the age of 50. These people will benefit from the changes made but may be disrupted whilst the work is taking place.

The “spend to save” proposals are taking place as a result of issues related to void properties and communal areas of properties across the city, rather than as a result of a persons protected characteristic.
All tenants, irrespective of their protected characteristic will be impacted upon by the proposal to increase contributions to the General fund. It will enable all tenants to continue to access these services, if the need arises.
The report notes that services have not been impacted upon by administration posts being vacant. Therefore, tenants, irrespective of the protected characteristic will not be impacted upon by the full deletion of the posts.
Re-roofing work is identified through an evaluation of the stock condition and not based on the protected characteristic of a tenant. It has been identified that there is scope to increase re-wiring upgrades, rather than full rewires. Those properties requiring a re-wire will still have this work completed as we have a legal obligation to do this through health and safety regulations.
The proposal to make savings by carrying out a small number of boiler replacements in-house is an internal organisational change. There are no proposals to reduce this service to tenants. The only change tenants may see is that this work is carried out by council employees, rather than contracted services, this is irrespective of their protected characteristic. Staff working within the Gas Service team or external contractors may see a change to their work or team structures.

4. Information used to inform the equality impact assessment

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

Tenant profiling information has been collected and analysed from the Northgate IT system (Appendix 1). This includes information on ages, ethnic origin, disability, gender, sexuality and religion. There are gaps in data in relation to gender re-assignment, marriage and civil partnership, pregnancy and maternity and sexual orientation. There is also little information collected specifically about impairments. An action within Housing's Equality Action Plan is to increase the monitoring data we collect and over time the profiling information available will increase.

5. Consultation

What **consultation** have you undertaken about the proposal with current service users, potential users and other stakeholders? What did they say about:

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

A meeting of the Tenants' and Leaseholders' Forum took place on the 6th December 2018 and they were presented with the proposals for the Housing Revenue Account rent setting and budget for 2019 / 20. The feedback they provided is contained within Appendix G of the budget report.

No potential impacts were identified for those with a protected characteristic. Neither were there any potential barriers identified as a result of the proposals.

6. Potential equality Impact

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

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

Protected characteristics	**Impact of proposal:** Describe the likely impact of the proposal on people because of their protected characteristic and how they may be affected. Why is this protected characteristic relevant to the proposal? How does the protected characteristic determine/shape the potential impact of the proposal?	**Risk of negative impact:** How likely is it that people with this protected characteristic will be negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected?	**Mitigating actions:** For negative impacts, what mitigating actions can be taken to reduce or remove this impact? These should be included in the action plan at the end of this EIA.
Age[1]	People living in sheltered housing are generally over the age of 50 and therefore any improvements	People over 50 may be disrupted whilst improvements to sheltered housing is taking place	Effective communication as to changes taking place and interim changes to service provision, if required. Some tenants may need

[1] Age: Indicate which age group is most affected, either specify general age group - children, young people working age people or older people or specific age bands

	to this type of accommodation will benefit these people		to be temporary re-housed whilst the work is being carried out.
Disability[2]	People with a disability living in inappropriate housing may benefit from being re-housed as a result of the buying back of council properties and new build. However, this is dependent on the type of properties that become available for rent	No group will be proportionally impacted upon by this proposal	Not applicable
Gender Reassignment[3]	No potential impact	No group will be proportionally impacted upon by this proposal	Not applicable
Marriage and Civil Partnership	No potential impact	No group will be proportionally impacted upon by this proposal	Not applicable
Pregnancy and Maternity	No potential impact	No group will be proportionally impacted upon by this proposal	Not applicable

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

[3] Gender reassignment: indicate whether the proposal has potential impact on trans men or trans women, and if so, which group is affected.

Race[4]	No potential impact	No group will be proportionally impacted upon by this proposal	Not applicable
Religion or Belief [5]	No potential impact	No group will be proportionally impacted upon by this proposal	Not applicable
Sex[6]	No potential impact	No group will be proportionally impacted upon by this proposal	Not applicable
Sexual Orientation[7]	No potential impact	No group will be proportionally impacted upon by this proposal	Not applicable

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

All protected characteristics have been commented on because work to improve the environment of estates, including grounds maintenance will have an impact on all tenants. However, for these there is no disproportionate impact on any group. Work will continue to be prioritised on the condition of estates, irrespective of tenants living in our properties. There may be delays for

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

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

[6] Sex: Indicate whether this has potential impact on either males or females

[7] Sexual Orientation: It is important to remember when considering the potential impact of the proposal on LGBT communities, that they are each separate communities with differing needs. Lesbian, gay, bisexual and transgender people should be considered separately and not as one group. The gender reassignment category above considers the needs of trans men and trans women.

non-urgent work and services but no particular group will be disadvantaged more than another. All urgent and priority services will continue to be provided.

Summarise why the protected characteristics you have not commented on, are not relevant to the proposal?
N/A

Other groups	**Impact of proposal:** Describe the likely impact of the proposal on children in poverty or any other people who we consider to be vulnerable. List any vulnerable groups likely to be affected. Will their needs continue to be met? What issues will affect their take up of services/other opportunities that meet their needs/address inequalities they face?	**Risk of negative impact:** How likely is it that this group of people will be negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected?	**Mitigating actions:** For negative impacts, what mitigating actions can be taken to reduce or remove this impact for this vulnerable group of people? These should be included in the action plan at the end of this EIA.
Children in poverty	Children living in over-crowded conditions may benefit from the proposals to convert to address overcrowding.	There may be disruption in the home whilst conversation work is taking place	Provide temporary accommodation whilst conversion work is taking place, if necessary.
Other vulnerable groups	Homeless people may benefit from buying back council properties and new build housing as it will result in more affordable housing being available to house people. Homeless families will potentially benefit from the re-configuration of Border House by	Homeless families living in Border House may see disruption as a result of re-configuration work being carried out.	Effective communication as to changes taking place and interim changes to service provision, if required. Accommodation families in alternative temporary accommodation, if appropriate.

	making the temporary accommodation more suitable to their needs		
Other (describe)	Council staff and some external organisations may be impacted upon by the proposal to carry out a small number of boiler replacements in house	An organisational reviews may be required to enable the changes in structures to take place	Full equality impact assessments will take place as part of the organisational review process, if this is required to change working practices

7. Other sources of potential negative impacts

Are there any other potential negative impacts external to the service that could further disadvantage service users over the next three years that should be considered? For example, these could include: other proposed changes to council services that would affect the same group of service users; Government policies or proposed changes to current provision by public agencies (such as new benefit arrangements) that would negatively affect residents; external economic impacts such as an economic downturn.

The Government is consulting on proposals to allow councils to increase rents by CPI +1% for the 5 years from 2020 / 21 so there is still uncertainty around the long-term income we will be able to generate from tenants' rents.

The Government is also consulting on their Housing Green Paper "A new deal for social housing". If proposals are implemented this will have a resource implication on the Housing Revenue Account, especially if there are additional requirements placed on social landlords to meet the Decent Homes Standard.

8. Human Rights Implications

Are there any human rights implications which need to be considered (please see the list at the end of the template), if so please complete the Human Rights Template and list the main implications below:

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

9. Monitoring Impact

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

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

Monitoring systems in place include:

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

10. EIA action plan

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

Equality Outcome	Action	Officer Responsible	Completion date
Identify worsening situations for tenants as a result of the implementation of proposals	Monitoring information to be provided to the Senior Management Team as part of Housings' Equalities Action plan report	Senior Management Team	Six monthly monitoring reports
Actions are progressed to mitigate the potential negative impacts that are associated with the budget proposals	Effectively communicate proposed improvements to Sheltered Housing tenants. Provide temporary accommodation whilst improvement work is taking place, if necessary Provide temporary accommodation to households where conversion work is taking place to address overcrowding, if necessary	Suki Supria Suki Supria Caroline Carpendale	TBC TBC TBC

	Effectively communicate proposed accommodation changes to people temporary housed in Border House. Offer alternative temporary accommodation to homeless families, if necessary If necessary, undertake an organisational review to support the provision of an in-house boiler replacement service, to include an associated equality impact assessment	Martin Clewlow	TBC

Human Rights Articles:

Part 1:	**The Convention Rights and Freedoms**
Article 2:	Right to Life
Article 3:	Right not to be tortured or treated in an inhuman or degrading way
Article 4:	Right not to be subjected to slavery/forced labour
Article 5:	Right to liberty and security
Article 6:	Right to a fair trial
Article 7:	No punishment without law
Article 8:	Right to respect for private and family life
Article 9:	Right to freedom of thought, conscience and religion
Article 10:	Right to freedom of expression
Article 11:	Right to freedom of assembly and association
Article 12:	Right to marry
Article 14:	Right not to be discriminated against

Part 2: First Protocol

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

Profiling information – council tenants

Breakdown by age band

Age of Applicant	Number of Tenants	Percentage of Tenants
16 to 19	18	0.08%
20 to 24	466	2.26%
25 to 34	2,635	12.75%
35 to 44	3,989	19.30%
45 to 54	4,033	19.52%
55 to 64	3,280	15.87%
65 to 74	2,558	12.38%
75+	2,181	10.55%
Not known	1,507	7.29%
Total	**20,667**	**100%**

Breakdown by disability

Disabled	Number of Tenants	Percentage of Tenants
Yes	177	0.86%
No	20,490	99.14%
Total	**20,667**	**100%**

Breakdown by ethnic origin

Ethnicity	Number of Tenants	Percentage of Tenants
Asian	2,174	10.51%
Black	1,943	9.40%
Chinese	21	0.10%
Mixed / Dual Heritage	263	1.27%
White	9,260	44.81%
White of European origin	336	1.63%
White of Irish origin	143	0.69%
Other Ethnic Origin	888	4.30%
Not known	5,639	27.29%
Total	**20,667**	**100%**

Breakdown by religion

Religion	Number of Tenants	Percentage of Tenants
Atheist	214	1.04%
Buddhist	10	0.05%
Christian	1,711	8.28%
Hindu	254	1.23%
Jain	2	0%
Jewish	3	0%
Muslim	1,219	5.90%
Sikh	55	0.27%
No Religion	1,735	8.40%
Other	245	1.19%
Not known	15,219	73.64%
Total	**20,667**	**100%**

Breakdown by sexuality

Sexuality	Number of Tenants	Percentage of Tenants
Bisexual	115	0.55%
Gay female / lesbian	28	0.14%
Gay male	28	0.14%
Heterosexual / straight	4,909	23.75%
Other	136	0.66%
Prefer not to say	774	3.75
Not known	14,677	71.01%
Total	**20,667**	**100%**

Breakdown by Gender

Gender	Number of Tenants	Percentage of Tenants
Male	8,362	40.47%
Female	10,857	52.54%
Prefer not to say	4	0.02%
Transgender	0	0.00%
Not Known	1,444	6.97%
Total	**20,779**	**100%**

RECORD OF DECISION BY CITY MAYOR OR INDIVIDUAL EXECUTIVE MEMBER

1.	**DECISION TITLE**	Recommendation of the Housing Revenue Budget 2019/20
2.	**DECLARATIONS OF INTEREST**	None
3.	**DATE OF DECISION**	11th February 2019
4.	**DECISION MAKER**	Assistant City Mayor (Housing)
5.	**DECISION TAKEN**	(1) To thank Tenants' and Leaseholders' Forum, Housing Scrutiny Commission and others who have commented on our draft Housing Revenue Account budget; (2) I am grateful for the recognition from consultees of the challenging financial position the 1% rent reduction has created; (3) To approve the Housing Revenue and Capital Budgets for 2019/20 as set out in the report. (4) To note the equality assessment of the proposed revenue and capital reductions required to present a balanced budget; (5) In light of the findings and having regard to the implications to recommend to Council, as proposed in the budget report, that the 1% rent reduction continues to be implemented. (6) To approve the proposed increase in service charges by 2% and garage rent by 3.7% (excluding excluding district heating and communal cleaning). (7) To approve the proposed hostel rents remain unchanged. (8) To note that the scheme of virement (included within the General Fund Revenue Budget report) applies also to the HRA budget with total expenditure and total income acting as budget ceilings for this purpose. (9) To note that the capital strategy in that report applies also to the HRA;

Leicester City Council
City Mayor

		(10) Agree that the delegations and determinations applicable to the main capital programme (and approved by the Council on 30th November, 2017) shall also apply to the capital programme in this report.
6.	**REASON FOR DECISION**	The Housing Revenue Account budget forms part of the budget and policy framework. Its approval is the responsibility of the full Council; the City Mayor is responsible for the preparation of a proposal for Council consideration. A draft programme was considered by Housing Scrutiny Commission on 17th December 2018
7.	**a) KEY DECISION – Y/N?** **b)** If yes, was it published 5 clear days in advance? Y/N	No.
8.	**OPTIONS CONSIDERED**	Not applicable.
9.	**DEADLINE FOR CALL-IN** • 5 Members of a Scrutiny Commission or any 5 Councillors can ask for the decision to be called-in. • Notification of Call-In with reasons must be made to the Monitoring Officer.	Not applicable
10.	**SIGNATURE OF DECISION MAKER** (City Mayor or where delegated by the City Mayor, name of Executive Member).	PJ Connelly

Leicester City Council
City Mayor

MINUTE EXTRACT

Leicester
City Council

Minutes of the Meeting of the
HOUSING SCRUTINY COMMISSION

Held: MONDAY, 17 DECEMBER 2018 at 5:30 pm

P R E S E N T:

Councillor Westley (Chair)
Councillor Alfonso (Vice Chair)

Councillor Aqbany
Councillor Joshi
Councillor Newcombe

In Attendance

Councillor Connelly, Assistant City Mayor – Housing

* * *   * *   * * *

50. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Byrne and Corrall.

51. DECLARATIONS OF INTEREST

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

Councillor Joshi declared an Other Disclosable Interest in the general business of the meeting in that he had family members who were council tenants.

Councillor Alfonso declared an Other Disclosable Interest in the general business of the meeting in that she had a family member who was a council tenant.

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

54. HOUSING REVENUE ACCOUNT BUDGET (INCLUDING CAPITAL PROGRAMME 2019/20 TO 2021/22)

The Director of Housing submitted a report, which considered the proposed Housing Revenue Account (HRA) budget for the three years from 2019/20 to 2021/22 and was set in the context of the government requirement that rents are reduced by 1% per annum for the four-year period from 2016 to 2020. The proposed budget included the final year of the four-year rent reduction.

In presenting the report, reference was made to Appendix D showing rent comparison figures for various property types. It was noted that the Government's decision to implement a 1% p.a. rent reduction over a four year period had placed the HRA under significant pressure to deliver a balanced budget. Several other external pressures and changes also brought about by central government placed the HRA at further risk including the impact of increasing Right to Buy sales, the introduction of Universal Credit and inflationary pressures. It was expected that these issues would create a period of significant uncertainty in setting the budget for the HRA.

Despite those pressures and uncertainties, the report recommended that the budgets for the three years from 2019/20 to 2021/22 be set as balanced budgets, with the limited use of reserves to fund specific schemes.

In response to Commission Members' questions, the following issues were discussed and noted:

- The budget marked a watershed for the department in that it would include the last year of a four-year programme of reducing rents by one per cent each year. The reductions were at the direction of government.

- From the second year of the proposed programme the adjustment of the Government's rent cap would (for now) allow for increases in rents and the Commission acknowledged that rents would be likely to rise by Consumer Price Index (CPI) plus one per cent – the highest allowed under current government rules.

- The tenant representative suggested that they might want to comment on future rent proposals and the negative impact on the department's plans for building new homes out of HRA funds and improving the housing stock and the environment of estates across the city was recognised.

  In this regard it was considered that the comments were important because they came from those who directly use the council's services and were in the best position to see how well those services were performing. The Commission echoed the tenant representatives' comments supporting the proposals and agreed to note:

  - The financial pressures on the HRA
  - The proposed rent reduction of one per cent and the increases in service

charges and garage rents
  - The proposal for unchanged hostel rent levels.

- Many programmes had been cut back over the last three years. However, the 12-month pay-back period for the installation of new LED lighting in communal areas and in walkways was welcomed as an environmentally and economically strong programme and was being continued.

- In considering the capital programme, the plans to build 50 new homes across six sites were particularly welcomed. The Commission also welcomed the evidence presented concerning continued improvements to disabled facilities, and improving fire safety across all estates, but particularly within the high-rise blocks in the city.

- The reasons for demolishing Goscote House were understood, but members were keen to see proposals for redevelopment on the site at the initial planning and design stages. The commitment to invest in the stock through kitchen, bathroom and boiler replacements together with external concrete path repairs was welcomed.

- The Commission also supported the contributions being made to General Fund programmes aimed at improving living conditions on the council's estates, including enforcement programmes relating to anti-social behaviour, fly-tipping and litter, and was also appreciated by the tenant representatives.

- Having regard to the inclusion in the budget of further allowances for debt arising from the roll-out of the Universal Credit (UC) system, Members shared officers' concerns about the potential impact of switching to the new system, but also noted that there was good joint-working with the Department of Work and Pensions (DWP) at local level.

  Members indicated that they may wish to review that operation in the future. They also indicated scrutiny would continue to take an interest in the issues of voids – their numbers and the times taken to bring them back into occupation, the effectiveness of the repairs and maintenance programme and the impact of mobile technology.

In conclusion, the Assistant City Mayor (Housing) was invited to comment. He referred to the comprehensive report and the full debate and welcomed the questions put by Commission members, which had been answered in detail by the Director. He advised that having regard the financial pressures and current circumstances, the budget was an excellent proposal that would not show any significant detriment to tenants in the City.

It was confirmed that the report would be submitted to Council on 20 February 2019.

It was AGREED to:

1. Note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;

2. Note the proposed reduction in rent of 1%, increase in service charges of 2% (excluding district heating and communal cleaning), and increase in garage rent of 3.7% for 2019/20; and

3. Note the proposal for Hostel rents to remain unchanged.

4. Note that the Chair of the Commission would write to the Director to summarise the discussion, as above.

55. CLOSE OF MEETING

The meeting closed at 6.32 pm.

4.3

Leicester City Council

OVERVIEW SELECT COMMITTEE **7 FEBRUARY 2019**
COUNCIL **20 FEBRUARY 2019**

Treasury Management Strategy 2019/20

Report of the Director of Finance

1. **Purpose of Report**

1.1 This report proposes a strategy for managing the Council's borrowing and cash balances during 2019/20 and for the remainder of 2018/19. (This is the treasury management strategy).

2. **Summary**

2.1 Treasury management is the process by which our borrowing is managed, and our cash balances are invested. Whilst there are links to the budget process, the sums in this report do not form part of the budget. To the extent that the Council has money it can spend, this is reflected in the budget report. Cash balances reported here cannot be spent, except to the extent already shown in the budget report or the accounts.

2.2 The Council has incurred debt to pay for past capital expenditure.

2.3 The Council also has cash balances. These are needed for day to day expenditure (e.g. to pay wages when they are due). A substantial proportion can only be used to repay debt but (because of Government rules) we are usually unable to use them to repay debt. Thus, they are held in investments.

2.4 Revised statutory guidance and professional guidance has necessitated changes to the way the Council reports on treasury management and also on its capital expenditure.

2.5 A related report on the agenda is the Treasury Policy, which establishes a framework for the governance of treasury management.

3. **Recommendations**

3.1 The Council is recommended to approve this treasury strategy, which includes the annual treasury investment strategy at Appendix B.

4. **Borrowing**

4.1 As at 31st March 2019, the Council will have a total long-term debt of £180m. comprising £135m borrowed from the Public Works Loans Board (a Government quango), and £45m from the financial markets.

4.2 In years prior to 2011, the Government supported our capital programme by means of "supported borrowing approvals." The Government allowed us to borrow money, and paid us to service the debt through our annual revenue support grant. This is similar to someone supporting a family member to buy a house, by paying the mortgage instalments.

4.3 The Government no longer does this, choosing instead to support our capital programme by means of capital grants (i.e. lump sums). Consequently, our debt levels are largely static, until individual loans are due for repayment. As most of our debt is long term, with repayments due 29 to 56 years from now, we might expect to see little change in this level of debt.

4.4 Early repayment of debt used to be a tool at our disposal, but government rule changes made this prohibitively expensive for PWLB debt. However, in 2018/19 we prematurely repaid £51m of financial market loans. This has already been reported in the half-yearly review of treasury management activities to OSC on 13th December 2018. Also in 2018/19, £8m of market debt matures.

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

5. **Investments**

5.1 The effort involved in treasury management now revolves almost solely around management of our cash balances. These fluctuate during the course of a year, and range from £230m to £280m dependent on circumstances (e.g. closeness to employees' pay day).

5.2 The Council has substantial investments, but this is not "spare cash". There are three reasons for the level of investments:-

(a) Whilst the Government no longer supports capital spending with borrowing allocations, we are still required to raise money in the budget each year to repay debt. Because of the punitive rules described above, we are not usually able to repay any debt, and therefore have to invest the cash;

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

(c) We have reserves, which are held in cash until we need to spend them. We expect reserves to fall over the next few years. The reserves position is described in the budget report.

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

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

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

(b) The economic environment in which all financial institutions operate. The financial crash of 2008, for instance, destabilised a lot of banking institutions which appeared credit worthy prior to this;

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

5.5 The world economic situation has improved since 2008, but risks remain. There are financial and economic risks in the Euro Zone (some economies are in difficulty, and so are some countries' banks), and we do not yet know the impact of Brexit. The IMF has recently warned that risks are rising and that many Governments are ill-prepared.

5.6 In 2008, many Governments bailed out banks regarded as "too big to fail". Since 2008, the world's largest economies have implemented measures to make banks stronger, but also to reduce the impact if they do fail (and the cost to taxpayers). These measures would see institutional investors who have lent money (such as the Council) taking significant losses before there is any taxpayer support. In practice, these measures are likely to be invoked when a bank starts to run into trouble, before it actually fails. This process is known as "bail in".

5.7 A linked measure has been to split major UK high street banks into "ring-fenced" banks used by individuals and small to medium businesses; and "non-ring-fenced" banks for larger businesses (including most Councils) and for other non-core banking activities, such as those involving financial markets.

5.8 The upshot is that we cannot regard any financial institution as a safe haven over the medium term – we need to keep watch for any signs of trouble.

5.9 The key to our investment strategy is therefore to diversify our investments (so we don't "keep all our eggs in one basket"), invest with public sector bodies that are backed by the Government, or seek additional security for our money.

5.10 In respect of **return**, bank base rates are at 0.75%, and our advisors believe that they will remain extremely low for two years at least.

5.11 Greater returns can be achieved by lending for longer periods, but this starts to increase the risks described above.

5.12 The details of our investment strategy are described in Appendix B, but in summary:-

(a) We will lend on an unsecured basis to the largest UK banks for periods not exceeding one year. We will also lend to some smaller building societies for periods not exceeding six months. Bail-in rules mean lending for longer on an unsecured basis is too great a risk;

(b) We will lend for longer periods, and to smaller banks, if our money is secured (i.e. if we can take possession of the bank's assets in the event of failure to repay);

(c) Lending to other local authorities has long been a cornerstone of our investment strategy, and this will continue. We will lend to local authorities for up to five years, and may invest in bonds that they issue with a maturity of up to five years, enabling us to secure greater returns;

(d) We will place some money with pooled investments, such as money market funds. These are professionally managed funds, which place money in a range of financial assets, some based overseas. This helps achieve diversification. In cases where money is not secured, we will make sure funds can be returned very quickly. Interest rates om money market funds are low because we can get our money back quickly (we need to have funds available at "instant access)

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

5.13 In addition to the above, we will invest up to £30M in commercial property funds. These are pooled investments similar to "unit trusts". This continues the current strategy. Such funds are expected to pay dividends at a rate of 3.5% to 4.5%, which exceeds current cash returns of around 0.75%. Current investments are £8M. However, with such funds there is always a risk that values will decrease. Risks are harder than usual to assess due to uncertainty around "Brexit". Until such a time as this uncertainty reduces no further investments will be made.

5.14 Local authorities and local authority organisations may develop investment products specifically aimed at local authorities. As well as addressing issues of security, liquidity and yield they may also seek opportunities to make a positive social impact. We may invest up to £20M in such investments.

6. Regulatory Changes

6.1 During 2017 and 2018 revisions were made to the statutory guidance issued by MHCLG and to the professional guidance issued by CIPFA. These changes reflected a need for more robust guidance for commercial activities undertaken by councils, and especially with regard to investments in property. Nationally concerns have been expressed around a small number of authorities who have made very large property investments, sometimes outside of their own area.

6.2 A separate investment strategy dealing with commercial investments is elsewhere on your agenda, and a new capital strategy is included as an appendix to the budget report.

6.3 This Treasury Strategy does not deal with matters covered by these two reports though there is co-ordination between all these strategies.

7. Credit Rating Requirements for Investments

7.1 Credit ratings are key element of our treasury investment strategy, and are used to help us determine the financial strength of the borrowier.

7.2 The credit rating of UK borrowers will rarely exceed that of the UK government and consequently a reduction in the credit rating of the UK government may result in credit rating downgrades for a large number of borrowers.

7.3 Brexit negotiations create a higher than usual level of economic and political uncertainty and under some scenarios could lead to a reduction in the credit rating of the UK government. The knock-on effect of this could be a widescale reduction in the credit ratings of the institutions to which we lend, such that large parts of our lending list might become unworkable.

7.4 If such a situation arises, the Director of Finance will take advice from the Council’s treasury advisors and as an interim measure present a report to the City Mayor for his approval recommending revisions to the lending list at Appendix B. All interest paying investments on such a revised lending list will have a minimum credit rating of BBB+ or (if unrated) be judged to be of equivalent standing. In this event, a revised treasury strategy will be presented to the Council at the earliest reasonable opportunity.

7.5 In most cases the downgrade of the credit rating of a UK borrower solely due to a downgrade of the credit rating of the UK government would not indicate that the borrower had become financially weaker, and should not therefore change our willingness to lend to them.

7.6 2018/19 has seen increasing financial pressure on local authorities, the most prominent instance being the situation of Northamptonshire. In addition some local authorities have been involved in very large scale investments which inevitably must carry some risks.

7.7 There is no legal mechanism for a local authority to go bankrupt or otherwise avoid paying money on loans that were lawfully incurred and there is a legal mechanism to recover loan payments. Irrespective of legalities the practical issue is what would happen if, say, an authority simply did not have the cash to both pay its staff and pay loans.

7.8 Our treasury advisors believe that the credit worthiness of most local authorities remains strong but they provide advice on lending to local authorities which we will follow.

8. **Premature Repayment of Debt**

8.1 One tool of treasury management is the premature repayment of debt to achieve savings. This is something we used to do routinely, but (as discussed above) is now usually non-viable. We will take such opportunities if they present themselves at a sensible cost.

8.2 The reasons why our debt has 29 to 56 years to run are historic, and reflect past circumstances and government policies at that time. In current circumstances, we would prefer a more even spread of repayment dates, and may use premature repayment to achieve this if possible. Another option is to repay using our cash balances.

8.3 Whilst we were able to prematurely repay £51M of market loans in 2018/19 on favourable terms, this is not the norm. Favourable terms are only likely to be offered when the lender no longer wishes to hold the investment.

8.4 We expect to pay a premium on any premature repayment of debt. This is because interest rates are lower now than when the loans were taken out. Accounting guidance specifies how this should be charged to revenue. Generally this will be spread over the residual life of the loan repaid. Premia may also be financed by capital receipts.

9. **Management of Interest Rate Exposure**

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

9.2 For the foreseeable future the main risk arises from uncertainty around the interest earned on investments rather than interest paid on borrowing. In practice we are mainly concerned about declines in interest earned on investments.

9.3 £21M of the loans recorded are “LOBO” loans where the lender has the periodic option to propose an interest rate increase which we have the option to decline and repay the loan. If such options were exercised by the lenders we would repay. This would only be viable for lenders if interest rates were higher than 5% (which is most unlikely).

10. Allocation of Loans Between General Fund and Housing Revenue Account

10.1 All borrowing by the Council is for the purpose of financing capital expenditure (a bit like an individual will finance the acquisition of their house by a mortgage). Such borrowing can be for the purpose of General Fund Services or the Housing Revenue Account (HRA) and an appropriate determination has to be made to allocate external borrowing between the two.

10.2 The need to borrow external loans is reduced because the authority has cash balances. These balances arise from General Fund activities. Consequentially, at present, all external debt is held by the HRA.

11. Treasury Management Advisors

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

12. Leasing

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

13. Financial and Legal Implications

13.1 The proposals are in accordance with the Council's statutory duties under the Local Government Act 2003 and statutory guidance, and comply with the CIPFA Code of Practice on Treasury Management. In accordance with the Council's constitution (Article 4.03), the strategy requires full Council approval.

14. Background Papers

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

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

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

15. Authors

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Appendix A

Treasury Limits for 2019/2020

1. The treasury strategy includes a number of prudential indicators required by CIPFA's Prudential Code for Capital Finance, the purpose of which are to ensure that treasury management decisions are affordable and prudent. The recommended indicators and limits are shown below. One of these indicators, the "authorised limit" (para 3 below), is a statutory limit under the Local Government Act 2003. We are not allowed to borrow more than this.

2. The first indicator is that over the medium-term net borrowing will only be for capital purposes – i.e. net borrowing should not, except in the short-term, exceed the underlying need to borrow for capital purposes (the "capital financing requirement").

3. The authorised limits recommended for 2019/20 are:-

	New £m
Borrowing	250
Other forms of liability	125
Total	375

4. "Other forms of liability" relates to loan instruments in respect of PFI schemes and to pre-unitary status debt managed by the County Council (and charged to the Council).

5. The Council is also required to set an "operational boundary" on borrowing which requires a subsequent report to scrutiny committee if exceeded. The approved limits recommended for 2019/20 are:

	£m
Borrowing	210
Other forms of liability	115
Total	335

6. The boundary proposed is based on our general day to day situation and is not absolute as there may be good, usually temporary, reasons to breach it. Its purpose is to act as a warning signal to ensure appropriate scrutiny.

7. The Council has also to set upper and lower limits for the remaining length of outstanding loans that are fixed rate. This table also excludes other forms of liability. Recommended limits are:

Upper Limit

	£M
Under 12 months	50
12 months and within 24 months	80
24 months and within 5 years	140
5 years and within 10 years	140
10 years and within 25 years	180
25 years and over	180

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

Lower Limit

	£M
Less than 5 years	0
Over 5 years	100

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

	Up to 1 year £M	**Over 1 years £M**	**Over 2 Years £M**
Upper limit on maturity of principal invested	All investments	170	70

9. We will review the exposure of the Council to changes in interest rates. These could have a significant budgetary impact. The benchmark is that a 1% fall in interest rates should not cost in excess of £2M (an increase in interest rates would benefit the authority).

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

	31/03/2018 Actual £M	2019/20 Estimated Average £M	2020/21 Estimated Average £M	2021/22 Estimated Average £M	2022/232 Estimated Average £M
External debt	255	209	194	194	194

Appendix B

Treasury Investment Strategy 2019/20

1. **Introduction**

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

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

2. **Investment Objectives & Authorised Investments**

2.1 All investments will be in sterling.

2.2 The Council's investment priorities are:

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

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

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

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

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

3. **Approved Investments**

3.1 UK Banking Sector: Credit Rated Institutions			
Type	**Description**	**Investment Period**	**Controls**
General	Covers the largest UK banks and building societies. Covers non-UK banks operating in the UK and regulated in the UK.		No more that £100M will be invested in total with these institutions. Other than our bankers (Barclays) no more than £20m will be invested with one institution of which no more than £10m will be unsecured. £25m may be lent to Barclays, of which no more than £15m will be unsecured. New bodies will not be added to the list without the written approval of the Director of Finance. In addition to the above investments may be committed in advance by up 10 working days.
Unsecured deposits	Banks and building societies regulated within the UK. Covers non-UK banks operating in the UK and regulated in the UK.	Maximum 366 days.	A list of approved counterparties will be maintained, based on credit ratings. Principally, we use Fitch. Minimum ratings as below. Other market intelligence will also be considered.
		Up to 366 days.	Long-term rating of A & short term rating of F1
		Up to 6 months.	Long-term rating of A- & short term rating of F2
		100 days or less.	Long-term rating of BBB+ & short term rating of F2

Covered Bonds	This is a deposit with a bank or building society, which is secured on assets such as mortgages. These assets are not immediately saleable but the value of the assets exceeds loans secured upon them. If the deposit is not repaid the assets are sold and the proceeds used to repay the loan.	Maximum 5 years.	Bond is regulated under UK law and majority of assets given as security are UK based. Minimum long-term rating bond rating of AA-
Reverse REPOs	This is a deposit with a bank or other financial institution, which is secured on bonds and other readily saleable investments and which will be sold if the deposit it not repaid.	Maximum 1 year.	Judgement that the security is equivalent, or better than the credit worthiness of unsecured deposits. REPO/Reverse REPO is accepted as a form of collateralised lending and should be based on the GMRA 2000 (Global Master REPO Agreement) or a successor agreement. Should the counterparty not meet our senior unsecured rating then a 102% collateralisation would be required. The acceptable collateral is as follows:- • Index linked Gilts • Conventional Gilts • UK Treasury bills • DBV (Delivery By Value) • Corporate bonds

3.2 Unrated Building Societies			
Type	**Description**	**Investment Period**	**Controls**
General	Smaller building societies who do not have credit ratings. Many are mutually owned.	Up to 6 months.	No more that £10M will be invested in total with these institutions. No more that £2M will be invested with any one institution. Of this £2M no more than £1M will be unsecured. New bodies will not be added to the list without the written approval of the Director of Finance. A list of approved counterparties will be maintained. This will be based upon an analysis of the financial strength of the institution by our Treasury Advisers. Investments committed in advance will not count against these limits provided that commitment is no more than 10 working days in advance of the actual investment.

3.3 UK Public Sector & Quasi Public Sector			
Type	**Description**	**Investment Period**	**Controls**
General	The UK Government and UK local authorities, including Transport for London (TFL), and bonds issued by the Local Government Bond Agency. It also includes bodies that are very closely linked to the UK Government or to local government such as Cross Rail or National Grid.		No more than £250M to be lent to local authorities (as defined in the first column). No more than £20M to be lent to any one local authority. No more than £40M to be lent to bodies very closely linked to the UK Government and no more than £20M to be lent to any one body. No limit on amounts lent to the UK Government. In addition to the above, investments may be committed in advance by up 3 months.
Deposits	Deposits with Local Authorities and the UK Government.	Up to 5 years.	Our judgement is that most local authorities are of high credit worthiness and that the law provides a robust framework to ensure that all treasury loans are repaid. However, should the occasion arise, we would have regard to adverse news or other intelligence regarding the financial standing of a local authority, including information which is provided by the Council's Treasury Advisors.
Bonds – Local Authority	Bonds issued by local authorities.	Up to 5 years.	
Bonds – Municipal Bond Agency	Bonds issued by local authorities collectively through the Local Government Bond Agency.	Up to 5 years.	Minimum AA- credit rating. The agency is new and until established the number of underlying borrowing local authorities will be low. When investing with the agency we will look at the underlying exposure to individual authorities when these are material and take into account existing exposures to those authorities.
Bonds – Bodies Closely Linked to UK Government		Up to 5 years.	Minimum AA- credit rating. Approval by Director of Finance to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors.

3.4 International Development Banks			
Type	**Description**	**Investment Period**	**Controls**
Bonds	International Development Banks which are backed by the governments of the world's largest and strongest economies. The funding obligations are established by treaties or other binding legal agreements.	Up to 5 years.	No more than £40M to be lent in total and no more than £10M to be lent to any one bank. Approval by Director of Finance, in consultation with the City Mayor, to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors. A minimum credit rating of AA- plus backing of one or more G7 country.

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3.5. Pooled Investments – Shorter Dated Investments			
Type	**Description**	**Investment Period**	**Controls**
General	A structure where a wide base of investors share a common pool of investments. The most common legal form involves an intermediate company. The company has legal title to a pool of investments. The underlying investors own the company with a claim to their share of the assets proportional to their investment in the company.		We will only invest in funds where there is evidence of a high level of competence in the management of the investments, and which are regulated. Approval by Director of Finance to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors. The investment period will reflect advice from our Treasury Advisors on a fund by fund basis. We will be alert to "red flags" and especially investments that appear to promise excessive returns. We look for diversification away from the banks permitted elsewhere in this lending list (though some overlap is unavoidable). No more than £120M to be invested in all fund types listed in this table.
Money market funds	The underlying pool of investments consists of interest paying investments, for example deposits. The underlying borrowers include banks, other financial institutions and non-financial institutions of good credit worthiness. Banks may be UK or overseas.	Must have immediate access to funds.	Fitch rating of AAAmmf (or equivalent). No more than £20M in any one fund.
Short Dated Government Bond Funds	Similar to money market funds but mainly concentrated in highly credit rated government bonds.	Must have immediate access to funds.	Whilst these are very safe the interest returned is very low. We may use these in times of market turmoil. Fitch rating of AAAf (or equivalent). No more than £20M in any one fund.

Money market plus funds / cash plus funds / Short dated bond funds	Similar to money market funds but the underlying investments have a longer repayment maturity. We would use these to secure higher returns.	Must have access with one month's notice but normally would wish to hold for 12-18 months.	Fitch rating of AAf (or equivalent). No more than £20M in any one fund. We will "drip feed" money that we invest rather than investing it all at once.
Specialist Local Authority Pooled Investments (short term)	Pooled investments shaped by local authorities or local authority organisations working with specialist investors.	Must have access within one month's notice.	Such funds may not be rated but we would require investment policies to ensure a cautious approach consistent with those described in this document. We will look for strong evidence of expertise from those who manage the fund. Approval by Director of Finance, in consultation with the City Mayor, to the body being added to the lending list based on a written case, including specialist advice. No more than £20M in any one fund.

3.6. Pooled Investments – Longer Dated Investments			
Type	**Description**	**Investment Period**	**Controls**
General	A structure where a wide base of investors share a common pool of investments. The most common legal form involves an intermediate company. The company has legal title to a pool of investments. The underlying investors own the company with a claim to their share of the assets proportional to their investment in the company. Other legal structures will be considered. Longer dated investments expose us to the risk of a decline in value, but also provide an opportunity to achieve higher returns. Consequently, controls involve both the personal authorisation of the Director of Finance and consultation with the City Mayor.		We will only invest in funds where there is evidence of a high level of competence in the management of the investments, including, where relevant, how the fund is regulated. The investment period will reflect advice from our Treasury Advisors on a fund by fund basis. We will be alert to “red flags” and especially investments that appear to promise excessive returns. We will “drip feed” money that we invest rather than investing it all at once. We look for diversification away from the banks permitted elsewhere in this lending list (though some overlap is unavoidable). No more than £50m to be invested in all fund types listed in this table.
Property Funds	The underlying investments are mainly direct holdings in property, but our investment is in a pool of properties. Whilst the fund normally has a small cash balance from which to fund redemptions the bulk of the fund is held in direct property investments. On occasions redemptions will not be possible until a property has been sold. Funds may have the power to borrow.	Generally have access with three months’ notice but normally would wish to hold for five years.	No more than £30M to be invested in property funds. Investment amounts and timing to be approved by the Director of Finance, in consultation with the City Mayor.

Longer-dated Bond Funds.	Similar to money market funds but the underlying investments are now mainly bonds with an average maturity of up to 8 years.	Must have access with one month's notice but normally would wish to hold for two to three years.	Fitch rating of AAf (or equivalent). Approval by Director of Finance, in consultation with the City Mayor, to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors. No more than £10M to be invested in any one fund.
Asset Based Securities	The base investments are "securitised investments" which pool consumer debt (mortgages, car loans and credit cards) and loans to small businesses. The base investments are loans to borrowers of good credit worthiness. They are a world away from the "sub-prime" investments that led to the 2008 crash. The investment we would make would be in a pooled investment containing a number of such securitised investments. They are normally issued by banks (UK or overseas).	Must have access with one month's notice but normally would wish to hold for two to three years.	Fitch rating of AAf (or equivalent). We look for particularly strong evidence of expertise both from the organisations that issue the securitised investments and also from the managers of the pooled fund. We look for clear evidence of financial and operational independence between the fund managers and the banks that made the consumer loans in the first place. Approval by Director of Finance, in consultation with the City Mayor, to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors. No more than £10M to be invested in any one fund.

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Specialist Local Authority Pooled Investments (long term)	Pooled investments shaped by local authorities or local authority organisations working with specialist investors.	Must have access within one month's notice but normally would wish to hold for two to three years.	Such funds may not be rated but we would require investment policies to ensure a cautious approach consistent with those described in this document. We will look for strong evidence of expertise from those who manage the fund. Approval by Director of Finance, in consultation with the City Mayor, to the body being added to the lending list based on a written case, including specialist advice. No more than £20M in any one fund.

3. **Business Models**

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

Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 7 FEBRUARY 2019 at 5:30 pm

PRESENT:

Councillor Singh (Chair)
Councillor Govind (Vice Chair)

Councillor Bajaj
Councillor Cleaver
Councillor Cutkelvin
Councillor Dawood
Councillor Gugnani
Councillor Khote
Councillor Porter

Also present:

Sir Peter Soulsby City Mayor

Youth Council Representative

Gary Concepcion

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67. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Grant and Westley.

68. DECLARATIONS OF INTEREST

Councillor Bajaj declared that he had received representations in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road. Councillor Bajaj had been invited to attend the Centre and had been given a meal of rice, curry and juice.

Councillor Porter declared that he had received representations in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road. Councillor Porter declared that he had been invited to attend the Centre where he been given a hot meal and he had also signed the petition.

The City Mayor said that in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road, he had been invited to the Centre and had been given a hot meal.

Further to these declarations, it was confirmed that all the remaining Members of the Committee had been lobbied in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road.

It was noted for the avoidance of doubt, that Councillors Govind, Khote and Cutkelvin were members of the Planning and Development Control Committee and the Chair reminded Members that the decision on the Traffic Regulation Order would be delegated to the Director of Planning, Development and Transportation. The Traffic Regulation Order would be brought to the Planning and Development Control Committee to allow Members to make comments for the Director to take into consideration when he made his decision.

Councillor Cutkelvin and Councillor Porter left the meeting prior to the consideration of the following item of business.

79. TREASURY MANAGEMENT STRATEGY 2019/20

The Director of Finance submitted a report that proposed a strategy for managing the Council’s borrowing and cash balances during 2019 /20 and for the remainder of 2018/19. Members of the Overview Select Committee were asked to note the report and make any comments to the Director prior to Council consideration.

The Director of Finance gave a power point presentation as part of the introduction to the previous item of business, Agenda Item 12 the Treasury Policy. This presentation also related to the Treasury Management Strategy and the Investment Strategy (Agenda item 14).

Members considered the report and presentation.

The Chair asked the Committee to note the report.

AGREED:

that the report be noted.

4.4

Leicester
City Council

Overview Select Committee **Date: 7th February 2019**
Council **Date: 20th February 2019**

Investment Strategy

Report of the Director of Finance

1. **Introduction**

1.1 The purpose of this report is to seek Council's approval to the attached Investment Strategy.

2. **Recommendations**

2.1 OSC is asked to comment on the attached strategy.

2.2 Council is asked to approve the strategy.

3. Supporting Information including options considered

3.1 The Government now requires all authorities to prepare, and get full Council approval for, an Investment Strategy. This is separate from the investment strategy we submit with the treasury strategy every year (which is elsewhere on your agenda). The Investment Strategy covers property investments and loans to third parties for economic development reasons (amongst other things).

3.2 The new requirement results from the activity of some authorities who have been borrowing enormous sums to invest in commercial property, often outside their own areas.

3.3 The Government's aim is to increase the level of transparency over commercial investment decisions. The strategy is therefore important, because its sets parameters around what we can do in the future.

3.4 I will be presenting the document with slides at OSC.

4. **Financial Implications**

4.1 Finance is a key feature throughout the entire strategy.

4.2 The strategy does not seek approval to individual investment decisions which will each require separate reports (including financial implications).

5. **Legal Implications (Emma Jackman)**

5.1 This report proposes an investment strategy, and has regard to statutory guidance on local government investments issued by the Secretary of State under section 15(1)(a) of the Local Government Act, 2003.

6. **Other Implications**

None.

Report Author: **Mark Noble**

Date: **21st January 2019**

Appendix

Proposed Investment Strategy

1. Introduction

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

1.2 New Government guidance requires the Council to approve an investment strategy. This requirement has arisen because of Government concerns about some authorities borrowing substantial sums of money to invest in commercial property (sometimes a multiple of their net revenue budget).

1.3 Because this strategy is an overarching approach to investment, it supersedes:-

(a) The Local Investment Fund, described in previous years' treasury management strategies;

(b) The Enterprising Leicester Investment Fund (approved by the City Mayor on 4th January 2016, and extended on 17th February 2017);

(c) The Investment Property Fund and "New Opportunities" Fund, approved by the City Mayor on 17th February 2017.

1.4 For the purposes of this strategy, an investment means any spending, or any interest bearing loan to a third party which is (at least in part) intended to achieve a return for the Council. It includes advances made to (or on behalf of) the Leicester and Leicestershire Enterprise Partnership (LLEP) for their purposes, if the Council or LLEP expects to make a return on the money: such advances may be made by the Council acting as accountable body or in its own right.

1.5 The Council also invests in pooled property funds. These are funds where large numbers of investors own a part share in a large number of properties, and are professionally managed. Our policy for investment in pooled funds is described in the treasury management strategy, rather than this strategy.

1.6 The strategy excludes investment in new Housing Revenue Account (HRA) dwellings, as this is not done to achieve a return.

2. Current Investments

2.1 The Council has approved the following investments which fall within the remit of this strategy:-

(a) The Corporate Estate, which consists of 338 properties available for commercial lease. The purpose of holding the portfolio is primarily for income generation purposes, but also with an eye to providing a range of accommodation for businesses and for ensuring a presence in city centre retail. The properties in the fund are held for their commercial value and not to provide accommodation or services to/for the Council. Accounting rules do not require us to treat the properties as investment properties for reporting purposes: however, they are held in part for return and thus fall within the ambit of this strategy. The portfolio includes industrial units, shops, and other business premises located in the city with some agricultural holdings outside. Much of the estate has been owned by the Council for decades. The total value of the portfolio is estimated to be £122m, and all purchases have been fully financed (i.e. there is no outstanding debt). Gross rental income is £6.1m per year from rents;

(b) A loan to Leicestershire Cricket Club of £1m, to enable the Club to improve its facilities at an interest rate of 5%. The loan is supported by guarantees from the English Cricket Board;

(c) A loan of £1.5m to Ethically Sourced Products Ltd, made under the (now former) "Enterprising Leicester Fund". This loan carries a return equivalent to 4% per annum and is due to be repaid by 2025;

(d) A loan of £0.6m to the Haymarket Consortium Ltd to assist with the relaunch of Haymarket Theatre. This loan carries a return equivalent to 4% per annum and is due for repayment by March 2026.

2.2 Additionally, prudential borrowing of £8.4m has been approved to fund a hotel development at the Haymarket Shopping Centre, for which the Council will receive a revenue generating lease.

2.3 LLEP manages the "Growing Places Fund" which makes loans to businesses and other organisations for economic development. The total amount available is c.£12m. This fund does not come within the remit of this investment strategy, as the City Council has no financial exposure. (The original capital was provided by the Government, and there is now a revolving fund of new loans made as old loans are repaid. If there are defaults on the old loans, the fund simply stops revolving). The Council may seek LLEP's agreement to use the fund jointly with City Council loan funding, which helps mitigate risk.

2.4 A loan of £4m made to support the relocation of Hastings Insurance to premises next to the railway station was fully repaid in 2018/19. Interest of

£0.6m was paid on top of the outstanding capital sum (equivalent to 10% per year) and Hastings increased the number of jobs in Leicester to 1,000.

3. The Council's Overall Approach

3.1 The Council encourages investment which enables us to reduce reliance on returns from cash (the treasury management strategy) and at the same time put to use sums which would be earning little interest to benefit the people of Leicester. However, the Council acknowledges the risk associated with such investment, and will ensure it is not left hostage to changing market fortunes. The following limits are set and will not be exceeded:-

	Limit	**Current Position**
Gross external debt as a percentage of the Council's net service expenditure	100%	52% (£182m)
Outstanding prudential borrowing from activities covered by this strategy as a percentage of the Council's net service expenditure	30%	<1% (£3.1m)
Income from activities covered by this strategy as a percentage of net service expenditure	10%	1.8%(£6.2m)

(Net service expenditure is volatile due to accounting adjustments, and the 17/18 figure of £352m will be used until this strategy is revised. "Debt" excludes PFI).

3.2 In the case of the Corporate Estate, managers will be encouraged to dispose of under-performing assets, and reinvest in higher earning assets, taking into account the opportunity for a sustainable financial return, risks and liabilities. New acquisitions can be funded by:-

(a) Sale of existing, under-performing properties. These will be separately identified and approved by means of a decision of the City Mayor;

(b) Prudential borrowing, subject to limits given below and necessary approvals.

3.3 The Council is prepared to take greater risks in the furtherance of this strategy than it would be with the treasury management strategy: this is because investment will never take place solely for financial motives (the only exception being enhancement of the property portfolio within the Corporate Estate as described above).

3.4 Whilst recognising there are service reasons for investment, the Council's financial priorities are:-

(a) Security of capital – notwithstanding the above, this is the paramount consideration;

(b) Yield (the return on investments) - this is important, but secondary to ensuring our capital is protected;

(c) Liquidity (ability to get money back when we want it) – this is the lowest priority, and the Council accepts that such investments are less liquid than treasury management investments. We can live with this, because individual investments are small scale compared to the overall size of the Council. We have other (treasury) investments which are kept for liquidity: these exceed the value of our external debt.

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

(a) In the case of the Corporate Estate, within the boundary of LLEP (usually, within the city);

(b) If acquired for economic regeneration purposes, within the boundary of LLEP (or just outside the perimeter);

(c) If acquired for other reasons, normally within the city boundary, but may be elsewhere to better meet service objectives (for example, an investment in solar panels which provide energy to the city – the key consideration being best value from the site regardless of location; we may also join a consortium of other authorities to invest in facilities which serve all our purposes).

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

(a) Grants/contributions from third parties (including LLEP);

(b) Capital or revenue monies held by the Council;

(c) Prudential borrowing.

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

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

	£m
On commercial or industrial property it owns	50
For loans to third parties (other than LLEP)	20
For sums advanced to, or on behalf of, LLEP	30
For other investments	40

3.9 The Council will not, at any one time, have exposure in excess of £100m for all activity arising from this strategy (it cannot, therefore, at any one time, maximise its exposure under each of the above categories).

3.10 Total exposure on these measures is currently £3.1m.

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

4. What we invest in and how we assess schemes

4.1 Decisions to invest will be taken in accordance with the usual requirements of the constitution. Executive decisions will be subject to normal requirements regarding notice and call-in. All decisions to use prudential borrowing require the approval of the City Mayor. The criteria below set normal expectations for investment decisions, but it is impossible to provide a framework for all potential opportunities: we do not know what might be available in the future. The City Mayor may approve investments which do not meet the criteria in this section 4 (the limits at section 3 will not be exceeded), but if he does so:-

(a) The reason will be reflected in the decision notice;
(b) The decision will be included in the next refresh of this strategy.

4.2 All proposals will be subject to a financial evaluation, signed by the Director of Finance. This will calculate expected return (see below), assess risk to the Council's capital invested, and ability to repay any prudential borrowing. The evaluation must therefore give evidence of a financially robust proposal, regardless of the other merits. The results of the evaluation will be reported in the decision report. For small purchases of property within the Corporate Estate, a more streamlined evaluation can be prepared.

4.3 Any investment for economic development purposes will accord with the Council's adopted strategies, except for early stage expenditure in contemplation of a new strategy.

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

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

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

4.6 The Council will look for a return on its capital invested, although this can be lower than a bank would seek (reflecting our cost of funds, and the expected service benefits). Except where a purchase is solely to improve the financial performance of the Corporate Estate, return will be measured by net present value and (disregarding external contributions):-

(a) The usual yardstick for investment is that, on a prudent estimate of costs and income, investments must make a positive return when discounted at 2.5% above bank base rate. A higher return may be sought where a project is riskier than normal;

(b) Where reasonably certain, growth in retained business rates can be included in the calculation of NPV until the date of the next national reset (although rates growth will continue to be accounted for as rates income, and not earmarked);

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

4.7 The City Mayor may take a conscious decision to accept lower returns for service reasons (an alternative way of looking at this is to say that the Council will sometimes choose to accept modest returns instead of providing something at its own expense for service reasons). Such a decision will be transparent and recorded in the decision notice.

4.8 The following are deemed to be suitable investments:-

(a) Acquisition or disposal of commercial or industrial property;
(b) Construction or development of commercial or industrial property;
(c) Construction or development of non-HRA housing, directly or via the wholly owned housing company;
(d) Acquisition of land for development;
(e) Infrastructure provision at key development sites;
(f) Loans to, or on behalf of, the LLEP to support its objectives;
(g) Loans to businesses to support economic development.

4.9 All investments and loans must be state aid compliant.

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

(a) There is a tenant of sufficient quality; or strong evidence of market demand for the property (e.g. identified end use, or small tenanted units with a ready supply of prospective tenants); or the property generates other reasonably assured income; and

(b) There is the prospect of capital appreciation and a ready market for the Council's interest (or there will be a ready market at the end of the investment period); and

(c) There are either economic development or service reasons why the city would benefit from the council's ownership, or the acquisition improves the performance of the Corporate Estate. An example of economic development reasons might be to facilitate a significant business relocation to the city or surrounding area.

4.11 Construction or development of commercial or industrial property can be considered where the asset constructed or developed would generate a continuing income stream, and have a readily realisable capital value. Whilst a pre-let is regarded as highly desirable, a benefit of Council involvement is that strategically important development can be secured which would not attract normal commercial finance. New grade A office space is a key example. It is, however, essential that the Council can be confident of a return on its capital invested, and an NPV shall be calculated using prudent assumptions of any void periods.

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

4.13 Acquisition of land for development can be considered for strategic regenerative land assembly schemes, subject to the proviso that future development is planned and fundable:-

(a) The Council's return will usually arise from an appreciation in land values and this must be reasonably assured with a ready market;

(b) This type of investment is riskier than the acquisition of tenanted property, and a higher return would normally be sought.

4.14 The availability of other public funding to secure development will improve the acceptability of such proposals, as this will increase the return on the Council's capital invested.

4.15 Infrastructure provision at key development sites can be considered where development can be catalysed by provision of site infrastructure:-

(a) Investment can be considered where future disposals can be assumed with a reasonable degree of confidence; and

(b) Developments unlock strategic housing or commercial development on economic growth sites, or contribute towards bringing forward linked developments.

4.16 Advances of funding or loans to LLEP (or on behalf of LLEP) can take place to support economic development in the city or LLEP area. Such advances can be considered to support the LEP's strategic plan, subject to confidence that money will be returned through business rate growth or other LLEP finance.

4.17 Loans to businesses can be made at attractive rates (when compared to bank finance) for proposals which facilitate economic development, and where the Council can be confident that the money will be repaid. The following criteria will be applied:-

(a) Loans would normally be repayable within 10 years (or the Council has an asset which is readily realisable within that period, whether we choose to realise it or not);

(b) A minimum loan value of £100,000 will apply;

(d) Proposals must demonstrate that they are viable, i.e. there is a reasonable expectation that the capital and interest will be repaid;

(e) Security will usually be obtained (and always for higher value loans).

5. **Monitoring of Investments**

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

(a) Achieved return on capital invested;

(b) Capital appreciation;

(c) Timely receipt of returns;

(d) Write offs/write downs;

(e) Jobs or other outputs created.

5.2 The Corporate Estate measures its performance (in aggregate and by class of asset) with reference to the following indicators. Estimates for performance in 18/19 are also shown:-

	Target Performance	**18/19 Forecast**
Net Yield	5%	5%
Voids	3%	3%

5.3 Because the fund is assessed in its entirety, measures for individual acquisitions are not set.

5.4 Performance against the measures at paragraph 5.2 will be compared against other authorities with similar portfolios, and against industry benchmarks.

5.5 Buying/selling decisions for the Corporate Estate will reflect CDN's approved property investment strategy.

6. **Capacity, Skills and Culture**

6.1 The Council employs professional accountants who are skilled in carrying out investment appraisals, as well as regeneration, economic development and property specialists. Nonetheless, the more complex schemes will require external support to enable thorough due diligence to be undertaken and business cases to be developed and assessed. External specialists will work with Council clients to ensure they understand the public service dimension of the Council's business.

6.2 A presentation on the Council's investment strategy will be provided at OSC on 7th February.

6.3 The Council will use whatever presentation techniques are appropriate when decisions on individual investments are sought; these will in particular focus on the risk assessment.

Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 7 FEBRUARY 2019 at 5:30 pm

PRESENT:

Councillor Singh (Chair)
Councillor Govind (Vice Chair)

Councillor Bajaj
Councillor Cleaver
Councillor Cutkelvin
Councillor Dawood
Councillor Gugnani
Councillor Khote
Councillor Porter

Also present:

Sir Peter Soulsby — City Mayor

Youth Council Representative

Gary Concepcion

* * * * * * * *

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The City Mayor said that in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road, he had been invited to the Centre and had been given a hot meal.

Further to these declarations, it was confirmed that all the remaining Members of the Committee had been lobbied in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road.

It was noted for the avoidance of doubt, that Councillors Govind, Khote and Cutkelvin were members of the Planning and Development Control Committee and the Chair reminded Members that the decision on the Traffic Regulation Order would be delegated to the Director of Planning, Development and Transportation. The Traffic Regulation Order would be brought to the Planning and Development Control Committee to allow Members to make comments for the Director to take into consideration when he made his decision.

Councillor Cutkelvin and Councillor Porter left the meeting prior to the consideration of the following item of business.

80. INVESTMENT STRATEGY

The Director of Finance submitted a report that sought Council's approval of the Investment Strategy. Members of the Committee were asked to comment on the Strategy prior to its consideration at Council on 20 February.

The Director of Finance gave a power point presentation as part of the introduction to an earlier item of business, Agenda Item 12 the Treasury Policy. The presentation also related to the Investment Strategy and the Treasury Management Strategy (Agenda Item 13 on the agenda).

At the conclusion of the presentation, the City Mayor thanked the Director for the presentation, commenting that it reflected on the work of highly skilled officers in Leicester City Council. The Council needed to be transparent about their investments and open to scrutiny. The City Mayor added that by acting entrepreneurially, the Council was adding to its assets.

Members commended the Director of Finance and finance officers for their careful management of Council monies.

A Member questioned the Council's stance on ethical investments and the Director responded that this was a difficult issue, but the Council invested as carefully as they were able and took into consideration the chain of investments. The Director added that the Council did not invest in arms or tobacco.

The Chair asked the Committee to note the report.

AGREED:

that the report be noted.

4.5

Leicester City Council

OVERVIEW SELECT COMMITTEE **7 FEBRUARY 2019**
COUNCIL **20 FEBRUARY 2019**

TREASURY POLICY

Report of the Director of Finance

1. **Purpose of Report**

1.1 This report proposes a framework for the governance of the Council's borrowing and investments.

1.2 It updates the framework approved by Council in 2012 to reflect revised professional and statutory guidance.

2. **Summary**

2.1 Treasury management is the process that ensures the Council always has enough cash to make the payments that are necessary for its operations, and this involves both borrowing and investment.

2.2 The treasury policy is a framework document stating how the activity is governed. It is supported by an annual strategy (the strategy for 2019 is elsewhere on your agenda).

3. **Recommendations**

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

3.2 The Council is recommended to approve the treasury policy appended to this report.

4. **Overview of Treasury Management**

4.1 There are two main elements to treasury management.

4.2 The first element is **borrowing money** to finance capital expenditure. Most capital spending is now funded by capital grant, but we still have historic borrowing dating from years when the Government chose to use borrowing approvals to support capital.

4.3 The revenue budget approved by the Council each year includes provision for the interest payable on this borrowing. It also includes a provision for repaying the borrowing over a number of years (broadly speaking, over the economic life of the assets acquired).

4.4 The second element is **cash management** which involves managing the Council's investments to ensure the optimum amount of money is held in our bank account on a day-to-day basis – so that there is enough money to cover payments made on the day, but no more (cash held in the bank account earns virtually no interest).

4.5 The Council has substantial investments but these are not "spare cash". Whilst there are links to the budget process, these sums do not form part of the budget. To the extent that the Council has money it can spend, this is reflected in the budget report.

4.6 There is a provision for interest earned on investments in the Council's revenue budget.

4.7 Treasury activities are governed by the treasury policy which this report updates. The policy specifies how borrowing and investments should be organised, the responsibilities of officers, and the limits placed on officers' discretion to act without further approval. It should be noted that as decisions on borrowing individual sums have to be taken very quickly, this is delegated to officers within a framework specified by this policy. Treasury operations are subject to retrospective member scrutiny. The proposed policy is shown at the appendix to this report.

4.8 An annual treasury strategy specifies how borrowing and investment will be carried out.

4.9 A twice-yearly report is submitted to Overview Select Committee reviewing the treasury activity undertaken in the year.

4.10 The treasury policy comprises a treasury management policy statement (TMPS) and 12 "treasury management practices" ("TMPs").

4.11 The TMPS defines the overall objectives of the treasury management function, and emphasises the pursuit of optimum performance and the effective control of risk. The 12 TMPs expand upon this and, together with supporting schedules (prepared by the Director of Finance), establish a comprehensive framework for the management and control of borrowing, investment and other treasury functions.

5. Financial and Legal Implications

5.1 This report is solely concerned with financial issues.

5.2 The Council is required as a matter of law to pay due regard to CIPFA's Code of Practice on Treasury Management and statutory guidance issued by MHCLG. Other than this, no specific legal issues are raised by this report.

Report Author: **David Janes/Mark Noble**

Date: **2nd January 2019**

Appendix

PROPOSED TREASURY POLICY

1. Treasury Management Policy Statement (TMPS)

1.1 The overall aim of the Council's treasury activity is to minimise the Council's net financing costs, whilst maintaining an appropriate level of liquidity and taking a prudent approach to risk.

1.2 The Council defines the policies and objectives of its treasury management activities as follows:-

"The management of the authority's cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

1.3 The Council regards the successful management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured.

1.4 This Council is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques.

1.5 The Council will create, and maintain, a treasury management policy (i.e. this document). This will be supported by suitable treasury management practices (TMPs, shown below), setting out the manner in which the Council will seek to achieve these policies and objectives, and prescribing how the Council will manage and control those activities.

1.6 The Council will receive reports on an annual strategy in advance of each year, and the Overview Select Committee (OSC) will receive twice yearly reports on actual performance.

1.7 The Council delegates responsibility for the execution and administration of treasury management decisions to the Director of Finance who will act in accordance with this policy statement and TMPs; and CIPFA's Standard of Professional Practice on Treasury Management. Monitoring of the function will be undertaken by the OSC.

1.8 In practice the following matters are delegated to the DoF:

- Decisions on borrowing, investments, leasing and other forms of finance;
- Renegotiation and premature repayment of loans;
- Entering into associated contracts;
- Selection of treasury advisors;

- Selection of the money market brokers;
- Selection of leasing brokers used, if any;
- Selection of counterparties required for treasury purposes;
- The allocation of responsibilities and organisation of staffing;
- Determining the procedures to be followed by staff involved in treasury management, including internal controls and safeguards;
- Determining the accounting treatment of treasury decisions;
- Determining a list of institutions from whom the Council may borrow money;
- The preparation of schedules to TMPs, to serve as working documents for day-to-day use;
- Determining the list of institutions (the "lending list") to whom the Council will lend or invest, and for what period, applying the criteria established by the Council's treasury management strategy.

2. Treasury Management Practices

2.1 As part of the Treasury Policy, the Council is asked to approve 12 treasury management practices.

TMP1	-	Risk Management
TMP2	-	Performance measurement
TMP3	-	Decision making and analysis
TMP4	-	Approved instruments, methods and techniques
TMP5	-	Organisation, clarity and segregation of responsibilities and reporting arrangements
TMP6	-	Reporting arrangements and management information arrangements
TMP7	-	Budgeting and accounting arrangements
TMP8	-	Cashflow management
TMP9	-	Money laundering
TMP10	-	Staff training and qualifications
TMP11	-	Use of external service providers
TMP12	-	Corporate Governance

3. TMP1 – Risk Management

3.1 The DoF will have paramount regard to the risk associated with treasury management decisions and will ensure systems exist to control this risk.

3.2 The DoF will make sure we have enough money available immediately to meet day-to-day obligations.

3.3 Borrowing and investment strategy will be undertaken with regard to the implications for the Council's budget, whilst not missing opportunities to save money over the longer term.

3.4 The DoF will keep a list of people the Council will invest with (mainly by lending money), and limits for each. These "counterparty lists" will reflect a prudent attitude towards organisations with whom funds may be deposited. The counterparty policy will be established within the annual treasury strategy.

3.5 The DoF will ensure the Council complies with legal requirements. We will demonstrate such compliance, if required to do so, to all parties with whom the Council deals. In framing the counterparty policy, the DoF will ensure that there is evidence of counterparties' powers, authority and compliance with regulatory requirements.

3.6 The DoF will use systems to prevent the risk of fraud or loss and will maintain contingency management arrangements.

3.7 The DoF will ensure the Council is not exposed to big losses if interest rates move the wrong way.

3.8 The DoF will make sure we don't have to borrow too much all at once, and will actively manage the refinancing of maturing loans and other financing arrangements.

3.9 The DoF will manage exposure to exchange rate risk, inflation risk and price risk.

3.10 Members are asked to note that the avoidance of all risk is neither appropriate nor possible and a prudent balance will need to be struck between avoiding risk and maximising returns.

4. **TMP2 – Performance Measurement**

4.1 The Council will continually monitor treasury management performance.

4.2 We will evaluate borrowing and investment decisions by reference to external data, which may include:-

i) Benchmarks derived from financial market data;

ii) Benchmarks provided by the Council's treasury advisors.

4.3 The Council places high value on the use of independent treasury advisors. It looks to such advisors to present an independent view of the Council's treasury investments and borrowings.

4.4 The DoF will obtain a comprehensive annual review of the Council's treasury position, prepared by independent treasury advisors. The outcome will be reflected in the six-monthly reviews of treasury management activities reported to OSC.

5. TMP3 – Decision-making and analysis

5.1 The DoF will maintain full records of treasury management decisions, and of the processes and practices applied in reaching those decisions.

6. TMP4 – Approved instruments, methods and techniques

6.1 The Council will only use **borrowing instruments** from the following approved list (although many of these are not currently used):-

1. Public Works Loans Board
2. European Investment Bank
3. Stock Issues
4. Market Long-Term Loans
5. Market Temporary Loans (up to 364 days)
6. Local Temporary Loans
7. Local Bonds
8. Negotiable Bonds
9. Commercial Paper
10. Medium Term Notes
11. Bank Overdraft
12. Operational and Finance Leasing

6.2 Permitted **investment instruments** will be specified in the annual treasury strategy.

6.3 The DoF may determine that other instruments can be used when, in substance, they are similar to those already authorised. Where an instrument is complex, appropriate advice will be obtained including advice about any risks posed.

6.4 The Council is classified as a professional investor for the purposes of the regulatory framework of "MIFID II". This means that it has access to a wider range of investments than would otherwise be the case.

7. TMP5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements

7.1 The DoF will make sure the duties of staff are properly organised and written down.

7.2 The principle on which this will be based is a clear distinction between those charged with setting treasury and management policies, and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds.

7.3 If the DoF intends to depart from these principles (for example due to staff sickness) additional monitoring and reporting arrangements will be put in place.

7.4 The DoF will ensure that there are clear written and communicated statements of the responsibilities of each role, and the arrangements for absence cover. Delegation arrangements will also be documented.

7.5 The DoF will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

8. <u>TMP6 – Reporting requirements and management information arrangements</u>

8.1 Regular reports will be taken to members. As a minimum, the following reports will be prepared:-

i) An annual report to the City Mayor and Council on the strategy to be pursued in the coming year;

ii) A twice annual report to OSC on the performance of the treasury management function, on the effects of the decisions taken in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy or strategy.

9. <u>TMP7 – Budgeting and accounting arrangements</u>

9.1 The costs of treasury management will be reflected in the Council's normal budgeting arrangements.

10. <u>TMP8 – Cashflow Management</u>

10.1 The DoF will manage the council's cash holdings in their entirety. Cash flow projections will be prepared regularly and the DoF will ensure that these are adequate to ensure that the Council always has sufficient funds to meet its obligations.

11. <u>TMP9 – Money Laundering</u>

11.1 The Council may become the subject of an attempt to involve it in the laundering of money. The DoF will maintain procedures for verifying and recording the identity of counterparties and for reporting suspicions, and will ensure that staff are properly trained.

11.2 A policy to prevent the Council's unwitting involvement in money laundering has been established.

12. <u>TMP 10 – Staff training and qualifications</u>

12.1 The DoF will use properly trained staff.

12.2 The core professional requirement for senior staff leading the treasury function is a professional accountancy qualification. The cash management officer shall hold a diploma (level 4) from the Association of Accounting

Technicians or equivalent. Ongoing training and development on specific matters will be provided by an appropriate blend of distance learning (study of briefing notes etc); and organised courses, conferences and seminars.

12.3 Elected members will be offered training and development. Members of OSC, in particular, will be offered presentations that complement the reports and decisions they scrutinise.

13. <u>TMP11 – Use of external service providers</u>

13.1 The Council will use external experts, where this is sensible. When external experts are used, the DoF remains responsible for the treasury management function.

14. <u>TMP12 – Corporate Governance</u>

14.1 Treasury management activity will comply with our usual corporate governance principles. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

Leicester
City Council

Draft Minute Extract

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 7 FEBRUARY 2019 at 5:30 pm

PRESENT:

Councillor Singh (Chair)
Councillor Govind (Vice Chair)

Councillor Bajaj
Councillor Cleaver
Councillor Cutkelvin
Councillor Dawood
Councillor Gugnani
Councillor Khote
Councillor Porter

Also present:

Sir Peter Soulsby — City Mayor

Youth Council Representative

Gary Concepcion

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67. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Grant and Westley.

68. DECLARATIONS OF INTEREST

Councillor Bajaj declared that he had received representations in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road. Councillor Bajaj had been invited to attend the Centre and had been given a meal of rice, curry and juice.

Councillor Porter declared that he had received representations in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road. Councillor Porter declared that he had been invited to attend the Centre where he been given a hot meal and he had also signed the petition.

The City Mayor said that in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road, he had been invited to the Centre and had been given a hot meal.

Further to these declarations, it was confirmed that all the remaining Members of the Committee had been lobbied in respect of item 6: Petition to retain a safe parking zone / drop off for users of the Jain Centre, York Road.

It was noted for the avoidance of doubt, that Councillors Govind, Khote and Cutkelvin were members of the Planning and Development Control Committee and the Chair reminded Members that the decision on the Traffic Regulation Order would be delegated to the Director of Planning, Development and Transportation. The Traffic Regulation Order would be brought to the Planning and Development Control Committee to allow Members to make comments for the Director to take into consideration when he made his decision.

Councillor Cutkelvin and Councillor Porter left the meeting prior to the consideration of the following item of business.

78. TREASURY POLICY

The Director of Finance submitted a report that proposed a framework for the governance of Council's borrowing and investments. Members of the Overview Select Committee were recommended to note the report and make any comments to the Director, prior to Council consideration.

The Director gave a power point presentation which related to the Treasury Policy and also the Treasury Management Strategy 2019/20 (Agenda item 13), and the Investment Strategy (Agenda item 14). The power point is attached to the back of the minutes.

Members considered the report and presentation.

The Chair asked the Committee to note the report.

AGREED:
that the report be noted.