
Draft Capital Programme 2021/22

Decision to be taken by: Council

Date of meeting: 17th February 2021

Lead director: Alison Greenhill, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Amy Oliver
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- Report version number: 1.0

1. Summary

- 1.1 The purpose of this report is to ask the Council to approve a capital programme for 2021/22.
- 1.2 Capital expenditure is incurred on works of lasting benefit and is principally paid for by grant, tenants' rents, and the proceeds of asset sales (capital receipts). Money can also be borrowed for capital purposes, but the scope for this is limited as borrowing affects the revenue budget.
- 1.3 Traditionally, the Council has prepared a multi-year capital programme but for 2020/21 we set a one year programme due to the uncertainty over future resources. Due to the COVID-19 pandemic we are continuing to see uncertainty over future resources as well as significant slippage on our current programme. The uncertainty over future resources is detailed in the General Fund Budget Report 2021/22 (also on the agenda). We are therefore presenting another one year programme, which is essentially a skeleton programme. Schemes already approved and in the current programme for 2020/21 will continue to form part of the programme: in practice, much of our capital spending in 2021/22 will be catching up work we were unable to do because of COVID-19 restrictions.
- 1.4 The proposed programme set out in this report for the "General Fund" element of the capital programme will cost £20m. In addition to this, the HRA capital programme (which is elsewhere on the agenda) includes works estimated at £58m, £40m of which relates to the affordable homes programme.
- 1.5 The table below summarises the proposed spending for capital projects starting in 2021/22, as described in this report:-

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

Funding

Monies ringfenced to Schemes	4.7
Unringfenced Resources	14.9
Total Resources	19.6

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

	<u>£m</u>
General Fund	19.6
Housing Revenue Account	57.8
Total	<u>77.4</u>

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

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

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

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

1.10 The capital programme is split into two parts:-

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

1.11 Immediate starts have been split into three categories:-

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

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

2. Recommendations

2.1 The Council is asked to:-

- (a) Approve the capital programme described in this report and summarised at Appendices Two to Four, subject to any amendments proposed by the City Mayor;
- (b) For those schemes designated immediate starts, delegate authority to the lead director to commit expenditure, subject to the normal requirements of contract procedure rules and finance procedure rules;
- (c) Delegate authority to the City Mayor to determine a plan of spending for each policy provision, and to commit expenditure up to the maximum available;
- (d) For the purposes of finance procedure rules:
- Determine that service resources shall consist of service revenue contributions; HRA revenue contributions; and government grants/third party contributions ringfenced for specific purposes (but see below for LLEP investment programmes);
 - Designate the operational estate capital maintenance programme, highways maintenance programme and transport improvement programme as programme areas, within which the director can reallocate resources to meet operational requirements.
- (e) As in previous years, delegate to the City Mayor:
- Authority to increase any scheme in the programme, or add a new scheme to the programme, subject to a maximum of £10m corporate resources in each instance;
 - Authority to reduce or delete any capital programme provision, subject to a maximum of 20% of scheme value for “immediate starts”; and
 - Authority to transfer any “policy provision” to the “immediate starts” category.
- (f) In respect of Government investment programmes for which the Council receives grant as the accountable body to the Leicester and Leicestershire Enterprise Partnership (LLEP):-
- Delegate to the City Mayor approval to accept Government offers of funding, and to add this to the capital programme;
 - Delegate to the Strategic Director, City Development and

Neighbourhoods, in consultation with the Director of Finance, authority to allocate the funding to individual projects (in effect, implementing decisions of the LLEP);

- Agree that City Council schemes funded by the programme can only commence after the City Mayor has given approval;
- Delegate to the Director of Finance authority to reallocate programme funding between projects, if permissible, to ensure the programme as a whole can be delivered; and
- Note that City Council contributions to projects will follow the normal rules described above (i.e. nothing in this paragraph (f) permits the City Mayor to supplement the programme with City Council resources outside of normal rules).

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

(h) Approve the capital strategy at Appendix 5.

3. Background and options with supporting evidence

Key Policy Issues

3.1 In preparing the 2021/22 capital programme, we have focused on catching up on delays in the current programme, and have restricted the new programme to urgent works and annual programmes.

3.2 The resulting capital programme is primarily focussed around some key priorities of the Council. The themes are:

- People & Neighbourhoods
- Highways, Transport & Infrastructure
- Tourism & Culture

3.3 The capital programme for 2021/21 is a one year programme because of the continued uncertainty around our budgets, and the fact that significant effort will be required to catch up unavoidable slippage in the 2020/21 programme. Nonetheless, it complements the existing programme and explicitly aims to support the City Mayor's delivery plan.

3.4 It is important to note that the council's commitment to tackling the climate emergency is most obviously but not exclusively addressed within the transport capital programme. This is part of the Connecting Leicester Programme.

3.5 However, addressing the energy and bio diversity requirements of all our capital projects is central to the entire capital programme. Recent years' capital projects have included energy saving and generating elements across the corporate estate, as well as a raft of energy efficiency measures in our schools and on our housing estates. The Council is currently working to obtain further government grant

funding to expand such schemes. The programme also includes £0.5m to support a tree programme.

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

Resources

- 3.7 Resources available to the programme consist primarily of Government grant and capital receipts (the HRA programme is also supported by tenants' rent monies). Most grant is unringfenced, and the Council can spend it on any purpose it sees fit.
- 3.8 Appendix One presents the unringfenced resources available to fund the proposed programme, which total some £15m. The key funding sources are detailed below.
- (a) £5.8m of general capital receipts and £0.7m of Right to Buy Receipts;
 - (b) £8.3m of unringfenced grant funding;
 - (c) £1.9m from a review of policy provisions in the 2021/22 programme.
- 3.9 The Council has a policy of not committing capital receipts until they are received. This increases the resilience of the capital programme at a time when revenue budgets continue to be under pressure. Since setting the 20/21 capital programme, decisions have been taken to spend £1.7m of receipts received subsequently. £5.8m is now available for 21/22 based on receipts received or due at the time of writing. Subsequent receipts will be available to fund the 2022/23 programme.
- 3.10 The exception to not committing receipts in advance is the expected receipts from the sale of council housing. Where tenants exercise their "Right to Buy" the RTB receipts are layered, with different layers being available for different purposes. A sum of £0.7m will be available for general purposes: this is predictable. Further tranches are available to us but must be used for new affordable housing or returned to the government.
- 3.11 During the year the Council has reviewed the current policy provisions. As part of this, £1.9m of have been identified as no long being required from the Commercial Property Acquisitions policy provision. This will be released as part of this report to fund the 21/22 programme.
- 3.12 In addition, £1.8m has been ringfenced for potential additional costs on current schemes associated with the COVID-19 pandemic. Separate decisions will be required to add any of the £1.8m to the capital programme on individual schemes.
- 3.13 For some schemes the amount of unringfenced resources required is less than the gross cost of the scheme. This because resources are ringfenced directly to

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

- (a) Disabled Facilities Grant – an estimated £1.5m will be received from the Government for the year to support the making of grants to householders in the private sector requiring disabled adaptations;
- (b) Borrowing. Because borrowing has an impact on the revenue budget, it is only used for reasons detailed in Capital Strategy at Appendix 5 of this report.

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

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

Proposed Programme – Immediate Starts

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

3.17 £4.4m is provided for People & Neighbourhoods. This area is focused around improving the neighbourhoods of the city but also improving the lives of the city's residents. In addition, to this it is proposed that £0.5m is transferred from corporate resources into an earmarked reserve to fund future tree programmes.

- (a) £1.8m has been provided to continue with the **Children's Capital Improvements** Programme within our schools. The programme will include routine maintenance in our schools, such as boiler and window replacements, playground improvements and maintenance of roofs.
- (b) One of main schemes within this area will be **Disabled Facilities Grants** to private sector householders, with £1.5m available to support the scheme in 2021/22. This is an annual programme which has existed for many years. These grants provide funding to eligible disabled people for adaption work to their homes, and help them maintain their independence. This cost will be fully funded by the government in 2021/22 with no local contribution.

- (c) £400,000 has been provided for **Local Environmental Works** in our wards. This scheme will focus on local neighbourhood issues relating to residential parking, local safety concerns, pedestrian routes, cycle ways and community lighting and will be spent after ward member consultation..
- (d) £250,000 has been provided for a **Foster Carer Capital Contribution Scheme**, continuing last year's scheme. Money has been provided to invest in the homes of foster carers of looked after children, to ensure that foster care is an option in as many cases as possible.
- (e) £200,000 is provided in 2021/22 to continue the programme of **Repayable Home Repair Loans**. These grants aid vulnerable, low income home owners to carry out repairs or improvements to their homes, to bring properties up to decent home standards. Any loan will remain in place until a change of ownership or sale of the property, after which repayment of the loan is required.
- (f) £50,000 continues to be made available to top up **the Long Term Empty Home Acquisitions** pot in 2021/22. The Empty Homes Team gives advice and assistance to owners, helping them bring homes back into occupation. As a last resort, when all avenues have been exhausted, we have to use compulsory purchase. £50,000 covers the incidental costs associated with acquisition where CPO or negotiated purchase is required, where such costs cannot be recouped from the sale proceeds.
- (g) £50,000 is set aside for **Conservation Building Grants**. These grants are provided to city residents and organisations to repair historic buildings or reinstate original historic features that have been lost, and are applied for. The funding seeks to acknowledge the additional cost of owning an historic building.
- (h) £50,000 is included as part of the continued rolling programme to replace **Festive Decorations**.

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

- (a) £2.6m is provided in 2021/22 to continue the rolling programme of works constituting the **Transport Improvement Programme**. Some of the priority areas include:
 - Delivering cross cutting cycling, walking and public transport benefits.
 - Local safety schemes: sites are planned to include Narborough Road, Redhill Circle/Loughborough Road and Halifax Drive.
 - 20mph programme: continuation of the rolling programme to reduce the speed of vehicles. Traffic calming sites are planned to include Braunstone Community School, Calver Hey Road and Gilmorton Estate.

- Delivery of the Local Transport Plan

- (b) £2.1m is provided as part of the continued **Highway Capital Maintenance Programme**. This is a rolling annual programme and spending is prioritised to reflect asset condition, risk and local neighbourhood priorities. The proposed programme is shown at Appendix 4;
- (c) £300,000 is provided to continue the **Flood Strategy, Flood Defence and Watercourse Improvements Programme** into 2021/22. The programme supports the Local Flood Risk Management Strategy and action plan, and the delivery of our statutory role to manage and reduce flood risk in collaboration with the Environment Agency & Severn Trent Water.
- (d) **Front Wall Enveloping**: £200,000 is a continuation of previous schemes. It involves the enclosure of small spaces in front of housing. Enveloping schemes can make a significant improvement to local neighbourhoods and enable occupiers to tend house fronts more effectively.

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

- (a) £1.4m has been set aside for **De Montfort Hall** for various improvements which include the replacement of stage equipment, refurbishment of toilets and replacement of seating. This project has a forecast completion date of October 2021.
- (b) Following the success of the first scheme, £270,000 has been put aside for the extension of the **Heritage Interpretation Panels Programme**. This scheme uses digital technology to interpret heritage stories in new ways e.g. via mobile devices.

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

- (a) £3.1m has been made available to fund the annual **Fleet Replacement Programme** as part of a rolling programme. This programme is funded from borrowing, which is repaid from existing budgets.
- (b) £1.7m has been provided to support the annual **Operational Estate Capital Maintenance Programme**. This will support works to the properties the Council uses. This programme includes items such as roof repairs, replacement of the hearing loops in the Attenborough Hall and heating/ventilation improvements.
- (c) £1.4m is available to fund the **Capital Projects Team and Other Staff Costs**, which will support the delivery of the construction projects in the capital programme.
- (d) £1.1m has been provided to support works to **Phoenix and Sovereign**

House. These works are to enable the Council to further optimise its operational estate as it transforms the way staff work in the future. This 'spend to save' approach is common across the public sector as it becomes more agile and has a lesser reliance on physical space. It supports the Council's strategy of ceasing the occupancy of leasehold property and provides the opportunity to market properties for an immediate rental return or to better utilise them for the Council's own purposes. Works to these two properties includes window replacements, internal refurbishments, and mechanical, heating and ventilation upgrades.

Proposed Programme – Policy Provisions

- 3.21 Policy provisions are sums of money which are included in the programme for a stated purpose, but for which a further report to the Executive (and decision notice) is required before they can be spent. Schemes are usually treated as policy provisions because the Executive needs to see more detailed spending plans before full approval can be given.
- 3.22 Executive reports seeking approval to spend policy provisions must state whether schemes, once approved, will constitute projects, work programmes or provisions; and, in the case of projects, identify project outcomes and physical milestones against which progress can be monitored.
- 3.23 Two policy provision have been identified as part of this programme:
(a) £0.5m to assist with Black Lives Matter;
(b) £0.5m for a tree replacement programme.

Capital Strategy

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

Consultation

- 3.26 Update to be provided after consultation.

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

4.1 Financial implications

- 4.1.1 This report is exclusively concerned with financial matters.

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

4.1.2 No schemes are expected to lead to higher ongoing costs and some will lead to savings.

4.2 Legal implications

4.2.1 As the report is exclusively concerned with financial matters, there are no direct legal implications arising from the report. There will be procurement and legal implications in respect of individual schemes and client officers should take early legal advice. In accordance with the constitution, the capital programme is a matter that requires approval of full Council.

Kamal Adatia, City Barrister and Head of Standards.

4.3 Equalities implications

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

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

4.3.3 People from across all protected characteristics will benefit from the improved public good arising from the proposed capital programme. However, as the proposals are developed and implemented, consideration should continue to be given to the equality impacts of the schemes in question, and how it can help the Council to meet the three aims of the Public Sector Equality Duty.

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

4.3.5 Some of the schemes focus on meeting specific areas of need for a protected characteristic: disabled adaptations within homes (disability), home repair grants which are most likely to be accessed by elderly, disabled people or households with

children who are living in poverty (age and disability), and provision of funds for festive decorations (religion and belief).

- 4.3.6 Other schemes target much larger groups of people who have a range of protected characteristics reflective of the diverse population within the city. Some schemes are place specific and address environmental issues that also benefit diverse groups of people. The delivery of the capital programme contributes to the Council fulfilling our Public Sector Equality Duty (PSED). For example, schemes which support people in being able to stay in their homes, to continue to lead independent lives, and to participate in community life help promote equality of opportunity, another one of the aims of the PSED.
- 4.3.7 Where there are any improvement works to buildings or public spaces, considerations around accessibility (across a range of protected characteristics) must influence design and decision making. This will ensure that people are not excluded (directly or indirectly) from accessing a building, public space or service, on the basis of a protected characteristic.

4.4 Climate Emergency implications

- 4.4.1 The city council declared a climate emergency in February 2019 and has now published its new Climate Emergency Strategy & Action Plan, setting out the ambition to make Leicester a carbon neutral city. The council is one of the largest employers and land owners in the city, with carbon emissions of 33,872tCO₂e from its buildings and schools in 2019/20, and has a high level of influence in the city. The council has a vital role to play in reducing emissions from its buildings and operations, and leading by example on tackling the climate emergency in Leicester. As discussed in this report, many of the projects outlined will play a positive role in reducing carbon emissions in the city.
- 4.4.2 There is not sufficient information within this report to provide specific details of climate change implications for individual projects, which may have significant implications and opportunities. Detailed implications should therefore be produced for individual projects as and when plans are finalised. At a high level, there are some general principles that should be followed during the planning, design and implementation of capital projects, as detailed below. A toolkit is also being developed to support the achievement of reduced carbon emissions in council capital construction and renovation projects.
- 4.4.3 New buildings should be constructed to a high standard of energy efficiency, and incorporate renewable energy sources where possible, with projects aiming to achieve carbon neutral development or as close as possible to this. Maintenance and refurbishment works, including replacement of systems or equipment, should also seek to improve energy efficiency wherever possible. This will reduce energy use and therefore bills, delivering further benefits. Major projects will also need to meet Climate Change policy CS2 in the Leicester City Core Strategy planning document, which requires best practice in terms of minimising energy demand for heating, ventilation and lighting, achieving a high level of fabric efficiency, and the use of low carbon or renewable sources of energy.

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

Aidan Davis, Sustainability Officer

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

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

5. Background information and other papers:

6. Summary of appendices:

Appendix One – Corporate & Unringfenced Capital Resources.

Appendix 2a – Immediate Starts – People & Neighbourhoods.

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

Appendix 2c – Immediate Starts – Tourism & Culture.

Appendix 2d – Immediate Starts – Corporate

Appendix 3 – Policy Provisions.

Appendix 4 – Highways Maintenance Capital Programme

Appendix 5 – Capital Strategy 2020/21.

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

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

Report Author: Amy Oliver

Date:

Capital Resources

Unringfenced Capital Resources

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

Appendix 2a

Immediate Starts – People & Neighbourhoods

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

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

Summary of Ringfenced Funding

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

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

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

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

Immediate Starts – Tourism & Culture

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

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

Immediate Starts – Corporate

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

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

Summary of Ringfenced Funding

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

Policy Provisions

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

Proposed Highways Maintenance Capital Programme

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

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

Capital Strategy 2021/22

1. Introduction

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

2. Capital Expenditure

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

- 2.4 Monitoring of capital expenditure is carried out by the Executive and the Overview Select Committee. Reports are presented on 3 occasions during the years, and at outturn. For this purpose, immediate starts have been split into three categories:-
- (a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes are monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);
 - (b) **Work Programmes** – these will consist of minor works or similar schemes where is an allocation of money to be spent in a particular year.
 - (c) **Provisions** – these are sums of monies set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.
- 2.5 When, during the year, proposals to spend policy provisions are approved, a decision on classification is taken at that time (i.e. a sum will be added to projects, work programmes or provisions as the case may be).
- 2.6 The authority does not capitalise expenditure, except where it can do so in compliance with proper practices: it does not apply for directions to capitalise revenue expenditure.
- 2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2021/22. It therefore, includes expenditure from the 2020/21 programme that will be rolled forward.

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

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

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

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

3. **Financing Capital Expenditure**

- 3.1 Most capital expenditure of the Council is financed as soon as it is spent (by using grants, capital receipts, revenue budgets or the capital fund). The Council will only incur spending which cannot be financed in this way in strictly limited circumstances. Such spending is termed "prudential borrowing" as we are able to borrow money to pay for it. (The treasury management strategy explains why in practice we don't need to borrow on the external market: we must still, however, account for it as borrowing and make "repayments" from revenue each year). Circumstances in which the Council will use "prudential borrowing" are:-
- (a) Where spending facilitates a future disposal, and it is estimated that the proceeds will be sufficient to fully cover the initial costs;
 - (b) Where spending can be justified with reference to an investment appraisal (this is further described in the separate investment strategy). This also includes social housing, where repayment costs can be met from rents;
 - (c) Other "spend to save" schemes where the initial cost is paid back from revenue savings or additional income;
 - (d) Where, historically, the Council has used leasing for vehicles or equipment, and revenue budgets already exist to meet the cost;

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

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

	2020/21 Estimate £m	2021/22	2022/23	2023/24
HRA	241	258	276	287
General Fund	269	269	269	270

(The table above excludes PFI schemes).

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

4. **Debt Repayment**

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

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

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

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

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

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

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

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

(a) Land – 50 years;

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

- 4.9 Some investments governed by the treasury strategy may be accounted for as capital transactions. Should this require debt repayment charges, an appropriate time period will be employed. Share capital has a maximum “life” of 20 years.
- 4.10 Authority is given to the Director of Finance to voluntarily set aside sums for debt repayment, over and above the amounts determined in accordance with the above rules, where she believes the standard charge to be insufficient, or in order to reduce the future debt burden to the authority.
- 4.11 The law permits the Council to “claim back” sums set aside voluntarily in previous years by reducing subsequent years’ debt repayment. The Council will only do this in the following circumstances:-
- (a) To support the Council’s treasury management strategy. For instance, using these sums gives the Council access to a wider pool of collective property investments than we could otherwise use because of accounting restrictions (and hence access to better investment opportunities);
 - (b) For the acquisition of other investments permitted by the investments strategy, where it is appropriate to capitalise spending so that revenue savings can be delivered immediately.
- 4.13 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:-

	2020/21 %	2021/22 %	2022/23 %
General Fund	2.0	2.1	2.2
HRA	11.1	11.6	12.0

5. **Commercial Activity**

- 5.1 The Council has for many decades held commercial property. It may decide to make further commercial investments in property, or give loans to others to support commercial investment. Our approach is described in the investment strategy, which sets the following limitations:-
- (a) The Council will not make such investments purely to generate income. Each investment will also benefit the Council’s service objectives (most

probably, in respect of economic regeneration and jobs). It will, however, invest to improve the financial performance of the corporate estate;

- (b) The Council will not make investments outside of the LLEP area (or just beyond its periphery) except as described below. We would not, for instance, borrow money to buy a shopping centre 100 miles from Leicester;
- (c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example might be a joint investment in a solar farm, in collaboration with other local authorities; or investment in a consortium serving local government as a whole. In these cases, the location of the asset is not necessarily relevant.

5.2 Such investments will only take place (if they are of significant scale) after undertaking a formal appraisal, using external advisors if needs be. Nonetheless, as such investments also usually achieve social objectives, the Council is prepared to accept a lower return than a commercial funder might, and greater risk than it would in respect of its treasury management investments. Such risk will always be clearly described in decision reports (and decisions to make such investments will follow the normal rules in the Council's constitution).

5.3 Although the Council accepts that an element of risk is inevitable from commercial activity, it will not invest in schemes whereby (individually or collectively) it would not be able to afford the borrowing costs if they went wrong. As well as undertaking a formal appraisal of schemes of a significant scale, the Council will take into account what "headroom" it may have between the projected income and projected borrowing costs.

5.4 In addition to the above, the Council's treasury strategy may permit investments in property or commercial enterprises. Such investments may be to support environmental and socially responsible aims, and are usually pooled with other bodies. For the purposes of the capital strategy, these are not regarded as commercial activities under this paragraph as the activity is carried out under the treasury strategy.

6. **Knowledge and Skills**

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