Leicester City Council

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

15 February 2022

Sir or Madam

I hereby summon you to a meeting of the LEICESTER CITY COUNCIL to be held in the Attenborough Hall in City Hall, 115 Charles Street, Leicester, on WEDNESDAY, 23 FEBRUARY 2022 at FIVE O'CLOCK in the afternoon, for the business hereunder mentioned.

Kamal Adatia

**Monitoring Officer**

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**AGENDA**
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**PLEASE NOTE; DUE TO THE NEED TO HOLD A COVID SAFE MEETING AWAY FROM THE COUNCIL CHAMBER IT WILL NOT BE POSSIBLE TO WEBCAST THIS MEETING**

**1. LORD MAYOR'S ANNOUNCEMENTS**

**2. DECLARATIONS OF INTEREST**

**3. STATEMENTS BY THE CITY MAYOR/EXECUTIVE**

**4. MATTERS RESERVED TO COUNCIL**

**a) GENERAL REVENUE BUDGET 2022/23**

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

**b) CAPITAL PROGRAMME 2022/23**

Council is asked to approve the recommendations set out on page 69.

**c) HOUSING REVENUE ACCOUNT BUDGET (INCLUDING CAPITAL PROGRAMME) 2022/23**

Council is asked to approve the recommendations set out on page 109.

**d) TREASURY MANAGEMENT STRATEGY 2022/23**

Council is asked to approve the Treasury Management Strategy 2022/23 subject to any comments made by the Overview Select Committee at its meeting held on 10 February 2022 and attached at Appendix 4-D1 on page 173.

**e) INVESTMENT STRATEGY 2022/23**

Council is asked to approve the Investment Strategy 2022/23 subject to any comments made by the Overview Select Committee at its meeting held on 10 February 2021 and attached at Appendix 4-E1 on page 199.

**5. ANY OTHER URGENT BUSINESS**

## Information for members of the public

**Attending meetings and access to information**
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However, on occasion, meetings may, for reasons set out in law, need to consider some items in private.

**Due to COVID restrictions, public access in person is limited to ensure social distancing.** Please contact the Democratic Support Officer in advance of the meeting regarding arrangements for public attendance. A guide to attending public meetings can be found here: https://www.leicester.gov.uk/your-council/decisions-meetings-and-minutes/public-attendance-at-council-meetings-during-covid-19/

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- maintain distancing while entering and leaving the room/building;
- remain seated and maintain distancing between seats during the meeting;
- wear face coverings throughout the meeting unless speaking or exempt;
- make use of the hand sanitiser available;
- when moving about the building to follow signs about traffic flows, lift capacities etc;
- comply with Test and Trace requirements by scanning the QR code at the entrance to the building and/or giving their name and contact details at reception prior to the meeting;
- if you are displaying Coronavirus symptoms: a high temperature; a new, continuous cough; or a loss or change to your sense of smell or taste, you should NOT attend the meeting, please stay at home, and get a PCR test.

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- ✓ 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.

**Further information**

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

**Matthew Reeves, Democratic and Civic Support Manager on 0116 4546352**.
Alternatively, email matthew.reeves@leicester.gov.uk .

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

**4.a General Revenue Budget 2022/23**

The Council is asked to:-

a) Consider the City Mayor's Recommendations for the General Fund Revenue Budget 2022/23 which will be published prior to the Budget Meeting and will be attached to the Council Script;

b) Consider the views of the Overview Select Committee meeting held on 10 February 2022 at Appendix 4. (A1); and

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

The Council is recommended to:-

a) Approve the formal resolutions for the General Fund Budget 2022/23, including the City Mayor's recommendations, which will be published ahead of the Budget Meeting and will be attached to the Council Script.

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

- Overview Select Committee – 10 February 2022 at Appendix 4 (A2)
- Adult Social Care Scrutiny Commission – 13 January 2022 at Appendix 4 (A3)
- Children, Young People and Education Scrutiny Commission
- – 18 January 2022 at Appendix 4 (A4)
- Economic Development, Transport and Climate Emergency Scrutiny Commission – 19 January 2022 at Appendix 4 (A5)
- Health and Wellbeing Scrutiny Commission – 25 January 2022 at Appendix 4 (A6)
- Heritage, Culture, Leisure and Tourism Scrutiny Commission
- – 25 January 2022 at Appendix 4 (A7)
- Neighbourhood Services Scrutiny Commission – 27 January 2022 at Appendix 4 (A8)

Appendix 4-A1

# Council

Date: 23rd February 2022

# Revenue Budget 2022/23

Lead director: Director of Finance

City Mayor

**Useful information**

■ Ward(s) affected:

■ Report author: Catherine Taylor/Mark Noble

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mark.noble@leicester.gov.uk

■ Report version number: 1

1. **Purpose**

1.1 The purpose of this report is to present the City Mayor's proposed budget for 2022/23 and to describe the future outlook for the Council's budget.

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 budget for 2022/23 has been preceded by ten years of austerity between 2010 and 2020, and a "stop-gap" budget in 2021/22 which was occasioned by the Covid pandemic.

2.2 Since 2010, the Council has been forced by government cuts to make substantial savings in its budgets, whilst simultaneously making more money available for social care. By 2020, the budget for services other than social care had been cut by 50% in real terms.

2.3 The Council's previous approach to achieving budget reductions was based on the following approach:

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

(b) Building up reserves in order to "buy time" to avoid crisis cuts and to manage the Spending Review Programme effectively. We termed this the "Managed Reserves Strategy."

2.4 The Spending Review approach served us well: savings of nearly £50m were made between 2014 and 2020, and left the Council with a relatively healthy level of reserves at the start of 2021 (compared to other authorities).

2.5 The budget for 2021/22 was set in the middle of the Covid pandemic. It was recognised that a significant programme of savings could not be delivered at that time. As a consequence:

(a) The budget for 21/22 was balanced using reserves. It was effectively a "standstill" budget representing the underlying position before any further cuts;

(b) We "drew a line" under the Spending Review Programme;

(c) It was anticipated that significant additional savings would be required beyond 2021/22, to ensure future financial sustainability.

2.6 The outlook for the medium term, at the time the 2021/22 budget was set, was unknown.

2.7 The budget outlook for 2022/23 and beyond has been established by the Comprehensive Spending Review, published in October 2021; and by the local government finance settlement published in December. As a consequence we believe, without further action, we face an increasing and unsustainable budget gap in future years.

2.8 In September, the Government published "Build Back Better - Our Plan for Health and Social Care" which promises reforms to social care, principally to limit the amounts users will have to pay towards their own care over their lifetimes. Funding has been announced, totalling £3.6 billion over the next three years for local government, although we do not yet have full details and have reason to believe it will prove to be insufficient.

2.9 The local government finance settlement provided some additional funding for authorities in 2022/23. Our share of this increased funding is £11m – insufficient to cover the cost pressures we face, and a large proportion of this funding has been provided on a one-year-only basis.

2.10 Forward planning is made more difficult because the finance settlement covered one year only. The government is considering reforms to local government financing that could have a significant impact on our budget (positive or negative) in future years. More details are given in Appendix Four.

2.11 As a result of past processes and firm action taken by the Council to balance earlier budgets, our reserves remain healthier than many authorities'. This will enable us to balance the budget for 2022/23 without crisis cuts.

2.12 The budget for 2022/23 has therefore been constructed as follows:

(a) Increases to budgets have been made where absolutely essential to maintain service provision. In practice, this amounts to £22m for adult social care and special education services;

(b) Where departments have identified efficiency savings which can be achieved from management action, these have been built into budgets.

(c) The budget has been balanced using £24m of reserves.

2.13 Unfunded social care pressures present a severe threat to the financial sustainability of the Council. The City Mayor has made this case strongly to the Government.

2.14 Some services continue to experience income shortfalls arising from the pandemic. The key areas are car parking and bus lane enforcement. Funding has been received from the Government to help meet these pressures in 2021/22, but none is expected in 2022/23. Departments have identified potential pressures of some £4m, and a one off sum has been set aside to meet these pressures.

2.15 The budget proposes a tax increase of just under 3%, which is the maximum we are allowed without a referendum.

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

## 3. **Recommendations**

3.1 Subject to any amendments recommended by the City Mayor, the Council will be asked to:-

(a) approve the budget strategy described in this report, and the formal budget resolution for 2022/23 which will be circulated separately;

(b) note comments received on the draft budget from scrutiny committees (circulated separately) and other partners (summarised in Appendix Six);

(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 continue to be adequate during 2022/23, 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 11 and Appendix Three;

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

4. **Budget Overview**

4.1 The table below summarises the proposed budget for 2022/23 (summary projections for a three-year period are included in the medium term strategy at Appendix Four):

| | **2022/23 £m** |
|---|---|
| **Service budget ceilings** | 322.4 |
| **Corporate Budgets** | |
| Capital Financing | 6.4 |
| Miscellaneous Corporate Budgets | 1.2 |
| Contingency | 2.0 |
| **Total forecast spending** | **332.0** |
| **Rates retention scheme:** | |
| Business rates income | 67.8 |
| Top-up payment | 50.7 |
| Revenue Support Grant | 29.9 |
| | |
| **Other resources:** | |
| Council Tax | 134.4 |
| Collection Fund deficit | (3.3) |
| Social Care grants | 17.7 |
| Services grants | 7.8 |
| New Homes Bonus | 2.8 |
| **Total forecast resources** | **307.8** |

| | |
|---|---|
| **Underlying gap in resources** | **24.2** |
| Proposed funding from reserves | (24.2) |
| **Gap in resources** | **NIL** |

4.2 The budget position has improved since the draft budget was published in December but still requires substantial reserves to balance. The main reasons for this improvement are more funding than expected in the 2022/23 finance settlement, higher estimates for investment income as interest rates have risen, and increased local tax income (both council tax and business rates) expected as the economy recovers. Offset against this is an extra £1m in the contingency in recognition of growing inflation pressures.

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

5.1 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"); proposed budget ceilings are shown at Appendix One)

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

5.3 The City Council's proposed Band D tax for 2022/23 is £1,745.74, an increase of just under 3% compared to 2021/22.

5.4 The tax levied by the City Council constitutes only part of the tax Leicester citizens have to pay (albeit the major part – 84% in 2021/22). Separate taxes are raised by the Police and Crime Commissioner and the Combined Fire Authority. These are added to the Council's tax, to constitute the total tax charged.

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

5.6 In early February, the government announced additional support to households of £150 per property in council tax bands A to D, as part of their response to rising energy costs. This will be paid as a grant to eligible households, and does not affect the council tax income figures in this report.

5.7 The Police and Crime Commissioner and Combined Fire Authority will set their precepts in February 2022. The formal resolution will set out the precepts issued for 2022/23, together with the total tax payable in the city.

6. **Departmental Budget Ceilings**

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

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

(b) An allowance for non-pay inflation has been added to the budgets for independent sector adult social care (2%), foster care (2%) and the waste PFI contract (RPI, in line with contract terms). Apart from these areas, no allowance has been made for non-pay inflation. Should the current levels of inflation persist, the contingency is available if required;

(c) Unavoidable growth has been built into the budget, as described in the sections below. This includes provision for the increase in employers' national insurance rates which the Government has announced, to pay for social care reform;

(d) Where savings are achievable through management action, these have been deducted.

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

6.3 At the time of writing, the local government pay awards for 2021/22 and 2022/23 have not been finalised. A provision is held centrally to fund this (and is shown within the "service budgets" line in the table above, as it will eventually be transferred to the relevant budget ceilings). The budget assumes pay awards of 1.75% in 2021/22, in line with the offer made by local government employers; and 2.5% in 2022/23.

6.4 The role of the Council is to determine the financial envelopes within which the City Mayor has authority to act. Notwithstanding the way the budget has been constructed, the law does not enable the Council to determine how the City Mayor provides services within these envelopes: this is within his discretion.

**<u>Adult Social Care</u>**

6.5 Adult social care services nationally have been facing severe cost pressures for some years, and these are expected to continue. In our own case, we anticipate cost growth of £18m in 2022/23, accelerating in future years, as a consequence of rising numbers of older and younger adults requiring care, increases in the level of need of the average care recipient, pressure on providers due to National Living Wage increases, and difficulties in recruiting and retaining staff in the face of stiff competition from other sectors.

6.6 The government has generally responded to these pressures on an ad-hoc basis, making one-off resources available year by year. Over recent years, this has averaged an additional £8m per year, from a combination of one-off grant sources, and council tax increases via the "adult social care precept."

6.7 On 7th September, the government announced a number of reforms to the way social care will be funded, chiefly limiting the amount individuals will have to contribute to their own care. An additional 1.25% has been added to employers' (and employees') national insurance rates to provide funding for these reforms, although the majority of the money raised will go to the NHS initially. In the recent Comprehensive Spending Review, £3.6 billion was provided for local government's costs over the years 2022-23 to 2024-25.

6.8 It is not yet known whether the new monies will be sufficient to meet the new costs. In particular, it is assumed that the government will not compensate authorities for the cost of national insurance rises for the staff of care providers, which will inevitably be passed on to us.

6.9 Some additional funding for the cost of demographic growth and other pressures has been made available, via an increase to the Social Care grant worth £4.6m and additional Better Care Fund monies of £0.5m. We have also been permitted to increase council tax to 3% instead of the standard 2%, which raises an additional £1.3m. We do not yet know what additional monies will be available in 2023/24 and 2024/25, but the Comprehensive Spending Review suggests there will be no more government money nationally. This presents a substantial challenge to the authority, and is the prime cause of the looming cuts described in the medium term outlook.

6.10 The proposed budget includes the following growth for adult social care:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Growth in cost of care packages | 17,487 | 41,977 |
| NI cost increases falling on care sector | 500 | 500 |
| Limitation of individual contributions to care costs | 400 | 400 |
| | 18,387 | 42,877 |
| Less measures to reduce package cost increases | (1,927) | (1,927) |
| Less increased iBCF | (515) | (515) |
| **Net Growth** | **15,945** | **40,435** |

6.11 Predicting future costs of care packages has been made more difficult because of the effects of the pandemic and its aftermath. In 2020/21, requests for adult social care support fell as people were reluctant to enter residential care or to invite carers into their homes. It is assumed that, in 2022/23, cost growth will return to trend:

(a) a 3% per year increase in the number of older people, and a 5% increase in the numbers of working age people requiring support;

(b) An increase in the in-year average cost of existing care packages of 6% per year;

(c) The impact of a National Living Wage increase to £9.50, announced in the Comprehensive Spending Review. This must be paid by care sector providers, and the cost will inevitably be passed on to local authorities.

6.12 As described at paragraph 2.13, such is the significance of unfunded social care pressures that they affect the financial viability of the whole council, and underpin the need to achieve savings of £40m per year as described in the medium term financial strategy. As the care package projections in the table above reflect uncertainty caused by the pandemic, it is proposed to carry out an early review in 2022/23 (in advance of the normal monitoring cycle) and adjust the budget accordingly if needs be.

6.13 In addition to package growth, money needs to be provided for:

(a) The expected amount we will need to pay to compensate care providers for their national insurance increases;

(b) Loss of income due to limitation of increases in the level of contribution made by individuals towards the cost of the care they receive, which will arise because of increases in the minimum income guarantee.

6.14 In order to reduce overall cost increases, the department is taking further measures to reduce costs. These include:

(a) Reviewing existing packages of care;

(b) Exploring the use of technology prior to putting a package of care in place.

6.15 These measures are expected to reduce the overall level of growth by £1.9m per year. The overall growth has also been reduced by a £0.5m increase in the Improved Better Care Fund (iBCF) grant received.

**Education and Children's Services**

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

6.17 It is difficult to make accurate forecasts about spending need in 2022/23 and beyond, due to the distorting effect of the pandemic and its aftermath. At the time of preparing the 2021/22 budget, the pandemic had made no appreciable difference to demand for social care and early help (rather unexpectedly), although the number of entrants to the service started to increase in the second half of 2020/21. This led to a cost pressure which was compounded by court delays, delaying young people who were ready to leave the service. Consequently, the population of children who are looked after on 1st April 2021 was higher than budgeted.

6.18 A forecast of placement costs in 2022/23 has been made, which assumes the number of entrants to the care system stabilises at 150 per year, with existing preventative therapy teams being used to their full extent. On this basis, pressures on the overall budget are estimated to be £1.3m in 2022/23. However, given the current level of uncertainty, it is proposed to fund this cost from earmarked social care reserves rather than building growth into the budget. The position will be reviewed when the situation has settled down post-pandemic.

6.19 Work has taken place to create a wider range of semi-independent provision than we previously had, and to enhance the foster care offer and sustain foster carer numbers. Further measures are being taken to reduce placement costs:

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

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

(c) Development of an advanced foster carer scheme to look after children with more complex needs.

6.20 Growth for the Education and Children's Services budget is, however, proposed in respect of areas related to education services:

(a) The need for additional resources to deal with an ever-growing number of requests for education, health and care plans (EHCPs), driven in part as a result of the pandemic, something other local authorities are also experiencing;

(b) Deficiencies in the budget for special educational needs transport, where savings were not achieved following the abandonment of a fixed rate taxi procurement contract. A new contract is now being procured, which will be implemented from April 2022. Work is also taking place to further promote the use of personal budgets and thereby reduce the need for taxi provision.

6.21 The budget makes provision for the following additional monies:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| SEN transport | 2,948 | 2,948 |
| Special Education Service staffing | 562 | 562 |
| **Total Growth** | **3,510** | **3,510** |

6.22 In addition to the General Fund budget, Dedicated Schools' Grant (High Needs Block) budgets for children and young people with special educational needs and disabilities continue to be under severe pressure.

**City Development and Neighbourhoods**

6.23 Normally, the department's costs are reasonably predictable, when compared to social care. This year, however, forecasting is more difficult because the department's income continues to suffer from the effect of the pandemic; it is difficult to anticipate when income will return to normal levels (or if, indeed, it will do so at all for some sources). The position has, however, improved during 2021/22.

6.24 As discussed at section 8 below, the Council has made one-off monies available to deal with the pressures arising from the pandemic. Of this, £4.3m has been set aside for income shortfalls in City Development and Neighbourhoods. The key shortfalls are:

(a) Car parking and bus lane enforcement (the loss is estimated at up to £2.6m in 2022/23, and a further £1.1m in 2023/24);

(b) £0.2m in respect of De Montfort Hall;

(c) £0.2m in respect of rent arrears from the corporate estate;

(d) Smaller amounts for Building Control, City Wardens, Neighbourhood Services, the King Richard III Centre and the retail market.

6.25 The above pressures, which are being kept under review, will be dealt with from monies set aside for Covid. Otherwise, the department is expecting to manage within its resources in 2022/23, and no growth is proposed in the draft budget.

6.26 The department has reviewed its budget during 2021, and has identified the following efficiency savings which have been, or are being, given effect by management action:

| | £000 |
|---|---|
| 2022/23 | 524 |
| 2023/24 | 845 |
| 2024/25 | 928 |

## Health and Wellbeing

6.27 The Health and Wellbeing division consists of core public health services, together with sports and leisure provision.

6.28 The division has been at the centre of the authority's response to Covid 19, and has been supported by a number of grants provided by the Department of Health and Social Care. The chief one in 2021/22 has been the Contain Outbreak Management Fund, which has met the costs of the contact tracing team amongst other things.

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

6.30 The future of public health grant is unclear, although it is expected to be protected in real terms until 2024/25 (at national level). It is unclear whether it will remain as a separate grant when local government funding reforms are introduced; previous proposals have suggested it will be included in general funding arrangements.

6.31 The department is able to live within its resources in 2022/23, and no budget growth is proposed. The department has identified efficiency savings of £75,000 per year, which are included in the proposed budget.

## Corporate Resources Department

6.32 The department primarily provides back office support services, but also some public facing services such as benefits and collection of council tax. It has made considerable savings in recent years in order to contribute to the Council's overall savings targets. It has nonetheless achieved a balanced budget each year.

6.33 No growth is required for the departmental budget in 2022/23. The draft budget does, however, propose to use £0.5m of one-off monies set aside for the Covid response. This will temporarily boost our complement of legal staff who are catching up work delayed due to the pandemic. Many commercial procurements were halted due to the pandemic, resulting now in a backlog of contracts to be procured, and an increase in the need for contract variations and extensions. The pandemic also led to a backlog in property transactions related to the Council's commercial estate.

6.34 The department has reviewed its budget during 2021, and has identified the following efficiency savings which have been, or are being, given effect by management action:

| | **£000** |
|---|---|
| 2022/23 | 1,083 |
| 2023/24 | 1,114 |
| 2024/25 | 1,169 |

## 7. Corporately held Budgets and Provisions

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

7.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending. Income on investments fell during the pandemic, due to falling interest rates, but rates have since risen again. Thus, the budget position for capital financing in 2022/23 has improved compared to what we expected at the time of the draft budget.

7.3 A **contingency** of £2m has been included in the budget to manage significant pressures that arise during the year.

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

## 8. Resources

8.1 The local government finance settlement was approved on 9th February, with no material changes from the provisional settlement published in December. Although the Spending Review in October set out plans for three years of government spending, the local government settlement only covers 2022/23.

Business rates and core grant funding

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

8.3 Forecasts for business rates are particularly sensitive to assumptions around the speed and extent of the economic recovery since 2020. The figures in the budget assume no significant growth or decline in rates from the current position, apart from inflationary increases.

8.4 For 2022/23, the government has introduced a new "Services Grant", worth £7m, and continued the "Lower Tier Services Grant" (£0.8m). These are, in effect, additional allocations of RSG to be spent on general services; with the proviso that it is a one-off grant that will not be included in baselines for next year, allowing the government more scope to reallocate this funding in the future.

Council tax

8.5 Council tax income is estimated at £134.4m in 2022/23, based on a tax increase of just below 3% (the maximum allowed without a referendum). The proposed tax increase includes an additional “social care levy” of 1%, designed to help social care authorities mitigate the growing costs of social care. The allowable levy has decreased since last year, despite the escalating demographic and cost pressures facing the service, and will raise just £1.3m.

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

8.7 On 3rd February, the government announced that 80% of households will be entitled to a £150 payment, as part of the response to rising inflation and particularly energy prices. This will be paid as a grant to eligible households early in the financial year, and funded from additional government grant. At the time of writing we do not have full details of the scheme, but it should have no net impact on the Council’s budget. As it is a grant payment it does not affect the council tax income figures in this report.

Other grants

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

- **New Homes Bonus**, which provides additional funding where new homes are built or long-term empty properties return to use. It has become less generous in recent years, and is expected to be phased out entirely.
- **Social Care Grant**, which has been provided each year since 2016/17 to reflect national cost and demographic pressures. In 2022/23, our share of this funding will be £17.7m.

Collection Fund surplus / deficit

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

8.10 In 2021/22, as in 2020/21, the Government granted a raft of new rates reliefs to businesses: we have been compensated by Government grant. In itself, this has no net cost to the Council (in fact it is helpful because we do not have to recover monies from individual ratepayers). Due to accounting rules, and the fact that these were announced too late for the 2021/22 budget setting process, the effect of this in our accounts will look peculiar. For clarity, the figures in this report show the true underlying position.

8.11 The Council has an estimated **council tax collection fund deficit** of £0.8m, after allowing for shares to be paid by the police and fire authorities. The majority of this relates to reduced collection rates arising from the pandemic and lockdown, which (under temporary rules introduced in 2021) are being recovered between

2021/22 and 2023/24. The deficit has reduced from that previously expected, due to improved collection rates after the pandemic; and reduced costs of the council tax support scheme as the economy recovers.

8.12 The Council has an estimated **business rates collection fund deficit** of £2.4m. Again, this largely relates to increased appeals and bad debt provisions during the pandemic, and is being recovered over a three-year period. The net effect on our budget is higher than we expected in the 2021/22 budget, as government support towards tax losses is less generous than we expected.

## 9. Managed Reserves Strategy

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

9.2 As at April 2021, resources available for the strategy totalled £69.4m. Of this, £17m is required to balance the 2021/22 budget, leaving £52m for future years, subject to any over- or under-spends in the current year.

9.3 The budget will therefore leave £20m of reserves to offset pressures in 2023/24. This indicates that substantial cuts will be required to balance the budget in that year:

| | **£m** |
|---|---|
| Available to support budget as at 1/4/2021 | 69.4 |
| Used by 2021/22 budget | (17.3) |
| Estimated amount required for 2022/23 budget | (24.2) |
| **Balance Remaining for 2023/24** | **27.9** |

## 10. Earmarked Reserves

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

10.2 Earmarked reserves are shown at Appendix Five to this report.

10.3 The earmarked reserves also include sums set aside to support Covid recovery. Together with unringfenced government grant received in 2021/22, the following monies are available to support the aftermath of the pandemic:

| | **£m** |
|---|---|
| Government emergency grant 21/22 | 11.5 |
| Reserves to support revenue costs | 10.9 |
| Reserves to support capital | 10.0 |
| **Total** | **32.4** |

10.4 The Council is seeking a further £3m from the Government to compensate loss of fees and charges income in 2021/22.

10.5 As reported in budget monitoring reports to OSC, these sums are being spent, but there is no indication at present that they will be insufficient. Some of the capital monies will be spent on projects in 2023/24, if Council approves the capital programme (also on your agenda).

10.6 The above money is additional to specific government schemes such as the Contain Outbreak Management Fund. We also have separate schemes to support residents facing hardship as a result of the pandemic – such as council tax hardship and crisis support schemes.

## 11. Budget and Equalities

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

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

(a) eliminate unlawful discrimination;

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

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

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

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

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

11.6 The budget does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2022/23 is £1,745.74, an increase of just below 3% compared to 2021/22. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This includes the potential impacts of alternative options.

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

## 12. <u>Risk Assessment and Estimates</u>

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

12.2 In the current climate it is inevitable that the budget carries significant risk. In my view, although very difficult, the budget for 2022/23 is achievable subject to the risks and issues described below.

12.3 The most significant risks in the 2022/23 budget include:

(a) Adult Social Care spending pressures, specifically the risk of further growth in the cost of care packages;

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

(c) The risk of a further wave of Covid infections;

(d) Inflation, which has been increasing, and reached a 30-year high of 5.4% in December, driven by rising energy prices; the Bank of England and other commentators have suggested that it could peak later this year at over 7%. This would put upwards pressure on pay and other costs, although partially offset by increased income on investments if interest rates rise correspondingly;

(e) Economic downturn, which could result in new cuts to grant; falling business rates income; and increased cost of council tax reductions for tax-payers on low incomes. It could also lead to a growing need for council services and an increase in bad debts. This risk appears to have reduced since 2021/22 – the level of council tax support we are paying, for instance, has now fallen to pre-pandemic levels. The economy is recovering more quickly than feared, although it is still below pre-pandemic forecasts (and likely to remain so).

12.4 The budget seeks to manage these risks as follows:

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

(b) Reserves have been identified in 2021/22 to meet pandemic pressures, some of which will be available into 2022/23 as described above;

(c) A contingency of £2m has been included in the budget for 2022/23;

(d) As a last resort, managed reserves could be used, but this increases pressure in 2023/24.

12.5 Subject to the above comments, I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust. (Whilst no inflation is provided for the generality of running costs in 2022/23, some exceptions are made, and it is believed that services will be able to manage without an allocation).

## 13. Consultation on the Draft Budget

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

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

## 14. Financial, Legal and Other Implications

### 14.1 Financial Implications

This report is exclusively concerned with financial issues.

### 14.2 Legal Implications

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

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

14.2.3 As well as detailing the recommended council tax increase for 2022/23, the report also complies with the following statutory requirements:-

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

(b) Adequacy of reserves;

(c) The requirement to set a balanced budget.

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

14.2.5 The discharge of the 'function' of setting a budget triggers the duty in s.149 of the Equality Act, 2010, for the Council to have "due regard" to its public sector equality duties. These are set out in paragraph 11. There are considered to be no specific proposals within this year's budget that could result in new changes of provision that could affect different groups of people sharing protected characteristics. Where savings are anticipated, equality assessments will be prepared as necessary. Directors and the City Mayor have freedom to vary or abort proposals under the scheme of virement where there are unacceptable equality consequences. As a consequence, there are no service-specific 'impact assessments' that accompany the budget. There is no requirement in law to undertake equality impact assessments as the only means to discharge the s.149 duty to have "due regard". The discharge of the duty is not achieved by pointing to one document looking at a snapshot in time, and the report evidences that the Council treats the duty as a live and enduring one. Indeed case law is clear that undertaking an EIA on an 'envelope-setting' budget is of limited value, and that it is at the point in time when policies are developed which reconfigure services to live within the budgetary constraint when impact is best assessed. However, an analysis of equality impacts has been prepared in respect of the proposed increase in council tax, and this is set out in Appendix Three.

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

**Provided by: Kamal Adatia, City Barrister**

**Catherine Taylor / Mark Noble**

**9th February 2022**

**Appendix One**

## Budget Ceilings

| | Latest 21/22 budget | Previously agreed changes | Non pay inflation | National Insurance increases | Changes approved in 22/23 budget | Budget 2022/23 |
|---|---|---|---|---|---|---|
| **1. City Development & Neighbourhoods** | | | | | | |
| **1.1 Neighbourhood & Environmental Services** | | | | | | |
| Divisional Management | **235.4** | | | 1.0 | | **236.4** |
| Regulatory Services | **3,011.7** | | | 28.1 | | **3,039.8** |
| Waste Management | **17,509.9** | | 659.0 | 3.0 | (30.0) | **18,141.9** |
| Parks & Open Spaces | **4,008.4** | | | 59.7 | (35.0) | **4,033.1** |
| Neighbourhood Services | **5,453.9** | | | 19.2 | (14.0) | **5,459.1** |
| Standards & Development | **1,636.4** | | | 15.6 | | **1,652.0** |
| ***Divisional sub-total*** | **31,855.7** | **0.0** | **659.0** | **126.6** | **(79.0)** | **32,562.3** |
| **1.2 Tourism, Culture & Inward Investment** | | | | | | |
| Arts & Museums | **4,159.9** | | | 12.0 | 40.0 | **4,211.9** |
| De Montfort Hall | **550.4** | | | 10.5 | | **560.9** |
| City Centre | **178.6** | | | 1.3 | | **179.9** |
| Place Marketing Organisation | **377.8** | | | 1.6 | | **379.4** |
| Economic Development | **162.0** | (80.0) | | 6.9 | (93.0) | **(4.1)** |
| Markets | **(141.1)** | | | 3.0 | (84.0) | **(222.1)** |
| Adult Skills | **(870.4)** | | | | | **(870.4)** |
| Divisional Management | **181.0** | | | 1.7 | | **182.7** |
| ***Divisional sub-total*** | **4,598.2** | **(80.0)** | **0.0** | **37.0** | **(137.0)** | **4,418.2** |
| **1.3 Planning, Transportation & Economic Development** | | | | | | |
| Transport Strategy | **9,797.2** | (50.0) | | 24.9 | (50.0) | **9,722.1** |
| Highways | **2,920.9** | | | 48.1 | (55.0) | **2,914.0** |
| Planning | **975.8** | | | 18.5 | (50.0) | **944.3** |
| Divisional Management | **134.4** | | | 1.4 | | **135.8** |
| ***Divisional sub-total*** | **13,828.3** | **(50.0)** | **0.0** | **92.9** | **(155.0)** | **13,716.2** |
| **1.4 Estates & Building Services** | **5,761.7** | (125.0) | | 50.2 | | **5,686.9** |
| **1.5 Housing Services** | **3,341.8** | | | 44.2 | (153.0) | **3,233.0** |
| **1.6 Departmental Overheads** | **818.3** | | | 3.3 | | **821.6** |
| **DEPARTMENTAL TOTAL** | **60,204.0** | **(255.0)** | **659.0** | **354.2** | **(524.0)** | **60,438.2** |

| | Latest 21/22 budget | Previously agreed changes | Non pay inflation | National Insurance increases | Changes approved in 22/23 budget | Budget 2022/23 |
|---|---|---|---|---|---|---|
| **2.Adults** | | | | | | |
| **2.1 Adult Social Care & Safeguarding** | | | | | | |
| Other Management & support | **728.2** | | | 4.5 | | **732.7** |
| Safeguarding | **146.1** | | | 1.5 | | **147.6** |
| Preventative Services | **6,547.8** | | | 28.5 | | **6,576.3** |
| Independent Sector Care Package ( | **121,586.5** | | 2,542.1 | | 15,945.0 | **140,073.6** |
| Care Management (Localities) | **7,153.7** | | | 42.3 | | **7,196.0** |
| ***Divisional sub-total*** | **136,162.3** | **0.0** | **2,542.1** | **76.8** | **15,945.0** | **154,726.2** |
| **2.2 Adult Social Care & Commissioning** | | | | | | |
| Enablement &Day Care | **3,012.9** | | | 24.1 | | **3,037.0** |
| Care Management (LD & AMH) | **5,015.0** | | | 33.5 | | **5,048.5** |
| Preventative Services | **1,292.7** | | | 0.6 | | **1,293.3** |
| Contracts,Commissioning & Other ! | **5,374.3** | | | 31.6 | | **5,405.9** |
| Departmental | **(31,554.2)** | | | 4.6 | | **(31,549.6)** |
| ***Divisional sub-total*** | **(16,859.3)** | **0.0** | **0.0** | **94.4** | **0.0** | **(16,764.9)** |
| **DEPARTMENT TOTAL** | **119,303.0** | **0.0** | **2,542.1** | **171.2** | **15,945.0** | **137,961.3** |
| **3. Education & Children's Services** | | | | | | |
| **3.1 Strategic Commissioning & Business** | **1,884.5** | | | 14.8 | | **1,899.3** |
| **3.2 Learning Quality & Performance** | | | | | | |
| Raising Achievement | **359.0** | | | 4.6 | | **363.6** |
| Learning & Inclusion | **1,247.5** | | | 11.5 | | **1,259.0** |
| Special Education Needs and Disab | **12,292.7** | | | 26.9 | 3,510.0 | **15,829.6** |
| ***Divisional sub-total*** | **13,899.2** | **0.0** | **0.0** | **43.0** | **3,510.0** | **17,452.2** |
| **3.3 Children, Young People and Families** | | | | | | |
| Children In Need | **14,133.8** | | | 69.2 | | **14,203.0** |
| Looked After Children | **40,196.1** | | 206.8 | 58.7 | | **40,461.6** |
| Safeguarding & QA | **2,466.2** | | | 15.0 | | **2,481.2** |
| Early Help Targeted Services | **5,624.6** | | | 34.5 | | **5,659.1** |
| Early Help Specialist Services | **3,174.3** | | | 23.1 | | **3,197.4** |
| ***Divisional sub-total*** | **65,595.0** | **0.0** | **206.8** | **200.5** | **0.0** | **66,002.3** |
| **3.4 Departmental Resources** | **1,541.8** | | | 9.4 | | **1,551.2** |
| **DEPARTMENTAL TOTAL** | **82,920.5** | **0.0** | **206.8** | **267.7** | **3,510.0** | **86,905.0** |

## Appendix One

| | Latest 21/22 budget | Previously agreed changes | Non pay inflation | National Insurance increases | Changes approved in 22/23 budget | Budget 2022/23 |
|---|---|---|---|---|---|---|
| **4. Health and Wellbeing** | | | | | | |
| Adults' Services | **9,024.4** | 91.3 | | | (75.0) | **9,040.7** |
| Children's 0-19 Services | **9,019.3** | (200.0) | | | | **8,819.3** |
| Lifestyle Services | **1,233.7** | | | 5.6 | | **1,239.3** |
| Staffing & Infrastructure& Other | **2,406.6** | | | 17.2 | | **2,423.8** |
| Sports Services | **1,814.4** | | | 26.5 | | **1,840.9** |
| **DEPARTMENT TOTAL** | **23,498.4** | **(108.7)** | **0.0** | **49.3** | **(75.0)** | **23,364.0** |
| **5. Corporate Resources Department** | | | | | | |
| **5.1 Delivery, Communications & Politica** | **6,653.6** | (50.0) | | 40.3 | (4.6) | **6,639.3** |
| **5.2 Financial Services** | | | | | | |
| Financial Support | **4,756.0** | | | 39.1 | | **4,795.1** |
| Revenues & Benefits | **6,462.4** | | | 49.1 | | **6,511.5** |
| ***Divisional sub-total*** | **11,218.4** | **0.0** | **0.0** | **88.2** | **0.0** | **11,306.6** |
| **5.3 Human Resources** | **4,280.5** | | | 31.4 | (469.4) | **3,842.5** |
| **5.4 Information Services** | **9,124.4** | | | 41.0 | (35.0) | **9,130.4** |
| **5.5 Legal Services** | **3,361.4** | | | 35.5 | (24.0) | **3,372.9** |
| **DEPARTMENTAL TOTAL** | **34,638.3** | **(50.0)** | **0.0** | **236.4** | **(533.0)** | **34,291.7** |
| **TOTAL -Service Budget Ceilings** | **320,564.2** | **(413.7)** | **3,407.9** | **1,078.8** | **18,323.0** | **342,960.2** |
| Public Health grant | | | | | | (27,884.2) |
| Provision for pay awards | | | | | | 7,350.0 |
| **Total forecast service spending** | | | | | | **322,426.0** |

**<u>Appendix Two</u>**

## Scheme of Virement

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

<u>Budget Ceilings</u>

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

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

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

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

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

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

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

<u>Corporate Budgets</u>

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

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

    (b) the Director of Finance may allocate the provisions for pay awards;

    (c) The City Mayor may determine how the contingency can be applied.

<u>Earmarked Reserves</u>

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

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

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

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

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

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

**Appendix Three**

## Equality Impact Assessment

**1. Purpose**

1.1 This appendix presents the equalities impact of a proposed 2.99% council tax increase. This includes a precept of 1% for Adult Social Care, as permitted by the Government without requiring a referendum.

1.2 The alternative option for comparison is a freeze on council tax at 2021/22 levels. It would of course be possible to set a council tax increase between these two levels, or indeed to *reduce* the Band D tax.

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

2.1 As at 30th November 2021, there were 130,185 properties liable for Council Tax in the city (excluding those registered as exempt, such as student households).

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

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

**3. How are they affected?**

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

| Band | No. of Properties | Weekly increase | Minimum Weekly Increase under CTSS |
|---|---:|---:|---:|
| A- | 273 | £0.54 | £0.11 |
| A | 77,240 | £0.65 | £0.13 |
| B | 26,015 | £0.76 | £0.15 |
| C | 14,892 | £0.87 | £0.26 |
| D | 6,291 | £0.98 | £0.37 |
| E | 3,326 | £1.19 | £0.59 |
| F | 1,520 | £1.41 | £0.80 |
| G | 593 | £1.63 | £1.02 |
| H | 35 | £1.95 | £1.35 |
| **Total** | **130,185** | | |

3.2 In most cases, the change in council tax (around £0.76 per week for a band B property with no discounts; and just 15p per week if eligible for the full 80% reduction under the CTSS) is a small proportion of disposable income, and a small contributor to any squeeze on household budgets. A council tax increase would be applicable to all properties - the increase would not target any one protected group, rather it would be an increase that is applied across the board. However, it is recognised that this may have a more significant impact among households with a low disposable income.

3.3 Many households at all levels of income have seen significant income shocks due to the coronavirus pandemic and the economic downturn. More recently, some households have also seen the ending of national schemes such as the £20/week increase to Universal Credit and furlough payments; further pressures on household budgets come from increasing inflation in recent months, particularly in energy and food prices.

3.4 These pressures are not limited to any protected group; however, there is evidence that some types of household are more likely to be struggling with their finances. The Joseph Rowntree Foundation has identified that households are more likely to be in arrears on bills if they are younger adults; from certain ethnic minorities; or have children in the household[1]. This gives an indication of the groups most likely to see an impact from a CT increase.

## 4. Alternative options

4.1 The realistic alternative to a 3% council tax increase would be a lower (or no) increase. It should be noted that the proposed increase is below inflation, and therefore represents a real-terms cut in council tax income. A reduced tax increase would represent a permanent diminution of our income unless we hold a council tax referendum in a future year. In my view, such a referendum is unlikely to support a higher tax rise. It would also require a greater use of reserves and/or more cuts to services in 2023/24.

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

## 5. Mitigating actions

5.1 The Council has a range of mitigating actions for residents. These include: funding through Discretionary Housing Payments, Council Tax Discretionary Relief and Community Support Grant awards; the council's work with voluntary and community sector organisations to provide food to local people where it is required – through the council's or partners' food banks; through schemes which support people getting into work (and include cost reducing initiatives that address

[1] *Dragged Down by Debt,* JRF, October 2021

high transport costs such as providing recycled bicycles); and through support to social welfare advice services. The Council is also running a welfare benefits take-up campaign, to raise awareness of entitlements and boost incomes among vulnerable groups.

5.2 On 3rd February, the government announced a package of additional measures to support households with rising living costs, particularly energy bills. These include a £150 council tax discount to the majority of taxpayers; and further discretionary funds, estimated at over £1m, to support other households in particular need of help with rising energy bills.

## 6. What protected characteristics are affected?

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

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

## Analysis of impact based on protected characteristic

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---|---|---|---|
| **Age** | Older people (pension age and older) are least affected by a potential increase in council tax and can access more generous (up to 100%) council tax relief. However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as older people are the primary service users of Adult Social Care.<br><br>Working age people bear the brunt of the impacts of welfare reform reductions – particularly those with children. There is some evidence that younger adults and families with children are already more likely to be under financial stress. | Working age households and families with children – incomes squeezed through low wages and reducing levels of benefit income.<br><br>Younger people are more likely to have lost jobs during the pandemic and may not yet have found permanent full-time employment. | 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.<br><br>The tax increase could have an impact on such household incomes.<br><br>However, in the current financial climate, a lower council tax increase would require even greater cuts to services in due course. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as disabled people are more likely to be service users of Adult Social Care. | Further erode quality of life being experienced by disabled people 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. | | |

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---|---|---|---|
| **Pregnancy & Maternity** | Maternity benefits have not been frozen and therefore kept in line with inflation. However, other social security benefits have been 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 ethnic minority people are also low income and on benefits.<br>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.<br>There is some evidence that minority ethnic groups have been more likely to face job losses in the pandemic. | Household income being further squeezed through low wages and reducing levels of benefit income. | Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on managing household budgets. Where required, interpretation and translation will be provided to remove barriers in accessing support. |
| **Religion or Belief** | No disproportionate impact is attributable specifically to this characteristic. | | |
| **Sex** | Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents. Analysis has identified lone parents as a group particularly likely to lose income from welfare reforms. | 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.<br>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** | There have been reports published which suggest LGBT people are at increased financial risk during COVID-19. There is not enough data available to evidence the disproportionate impact attributable specifically to this characteristic but we will continue to monitor this. | | |

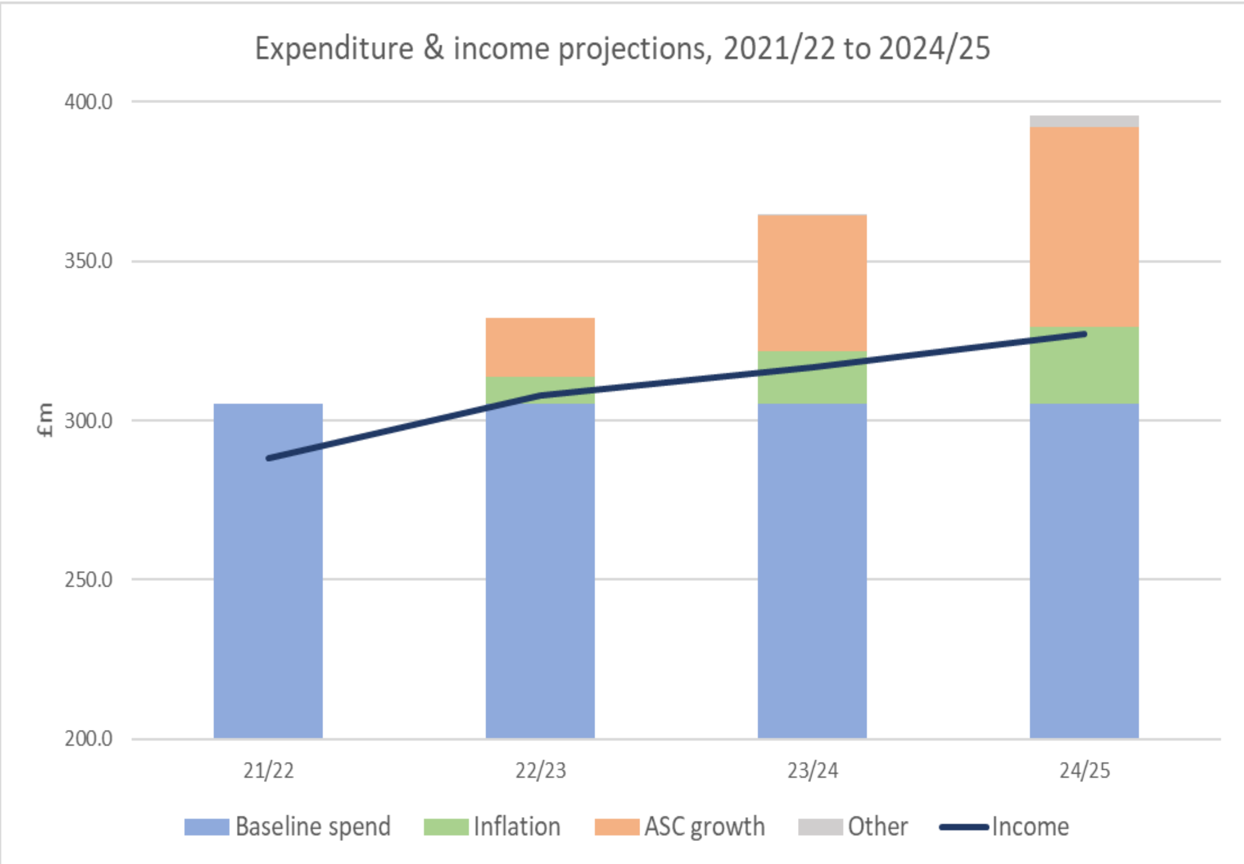
**Appendix Four**

## Medium Term Financial Outlook 2022/23 – 2024/25

1. The purpose of this medium term financial outlook is to provide members with details of the forecast financial position of the Council for the next 3 years, and to set the context within which the budget process will need to work to achieve a balanced position. The figures are indicative and volatile, especially for 2024/25.

2. Our central forecasts for the period up to 2024/25 are set out in the table at paragraph 5, and show that:

   - **Expenditure pressures are increasing at a faster rate than income.** Over the period we expect expenditure to increase by nearly 30% (in cash terms) while income projections rise by only 13% assuming there is no change in Government policy.
   - **The biggest factor in these increases is the rising cost of adult social care, as illustrated in the chart below.** These increases have been seen nationally for several years, and now present a substantial challenge to the authority's future sustainability. These pressures arise from factors largely outside the authority's control (e.g. increases in the minimum wage, demographic pressures and pressures on fee levels). The rate of growth is likely to accelerate.




NB scale does not start at zero

- **We have already invested significant amounts in social care.** Since 2016 we have seen the cost of adults' social care packages increase by £44m, or 60%, due to a combination of increasing need and higher wage costs. Over the same period we have invested over £20m in children's social care.
- **Other budget areas have already seen significant cuts in the last decade.** Expenditure on services other than adults and children's social care has fallen from £192m in 2010 to £106m in 2020. Our ability to find further savings from within these services is now severely limited.

3. The 2021/22 budget was balanced by using £17m of reserves. On current projections, sufficient reserves remain to balance the 2022/23 budget and provide some support to the 2023/24 budget. After this, ongoing savings will need to be found to ensure the longer-term financial stability of the Council.

4. Our approach is to tackle the position for 2023/24 by means of the Fundamental Budget Review, which is aiming to achieve savings of £40m per year. The need to achieve further savings for 2024/25 will be reviewed during the course of the year when we have more clarity about Government funding and the impact of social care reforms. The level of savings currently projected by 2024/25 would appear to be unachievable without change in Government policy.

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

| | **2022/23 £m** | **2023/24 £m** | **2024/25 £m** |
|---|---|---|---|
| Net service budget (including inflation) | 322.4 | 353.7 | 380.8 |
| Corporate and other centrally held budgets | 7.6 | 8.2 | 8.9 |
| Contingency | 2.0 | | |
| Planning provision | | 3.0 | 6.0 |
| **Expenditure total** | **332.0** | **364.9** | **395.7** |
| Business rates income | 67.8 | 69.6 | 71.2 |
| Top-up payment | 50.7 | 52.1 | 53.4 |
| Revenue Support Grant | 29.9 | 29.9 | 29.9 |
| Council Tax | 134.4 | 139.7 | 144.8 |
| Collection Fund deficit | (3.3) | (2.4) | |
| Social Care grants | 17.7 | 17.7 | 17.7 |
| Services grants | 7.8 | | |
| New Homes Bonus | 2.8 | | |
| Assumed impact of funding reforms | | 10.0 | 10.0 |
| **Income Total** | **307.8** | **316.6** | **327.0** |
| **Indicative Budget gap** | **24.2** | **48.3** | **68.7** |

6. The largest area of uncertainty in the forecasts surrounds the amount of government funding that will be available in years after 2022/23. The government intends to implement a review of local government funding allocations (the "Fair Funding Review") alongside the business rates revaluation in April 2023. We do not know what the outcome of this will be, but some key issues are:

- We hope the review will correct the long-standing underfunding of authorities such as Leicester. In the previous review, the funding actually received was heavily "damped" – funding increases due under the formula were not paid in full, to limit the losses to other areas. As the formula has not been reviewed since 2013, this damping is still reducing the funding we receive.
- Funding cuts from 2013 to 2016 were implemented in a way that disproportionately affected lower-income areas. The Fair Funding review is an opportunity for the government to reverse this and restore the previous level of equalisation into the system;
- Conversely, previous government proposals would have reduced Leicester's funding further, by reducing the amount of funding allocated to deprivation and increasing that given to rural areas.
- Reallocation of business rates growth since 2013 ought to benefit cities at the expense of more affluent areas, especially districts

7. The CSR provides no increase in national local government funding for 2023/24 or 2024/25, so any authorities which gain from the reforms will need to be paid for by reduction to other authorities' funding. Our central assumption above is that the non-baselined funding in 2022/23 (New Homes Bonus and the Services grants) will be reallocated based on current funding allocations, but "core" Revenue Support Grant and rates income will be unchanged. This effectively implies very little net impact on our funding from the review.

8. Due to the level of uncertainty around the funding review, full forecasts have not been produced for the different scenarios. We expect that the impact of any changes will be limited by damping arrangements. The key changes from the central scenario are set out in the table at paragraph 9. Based on these assumptions, an indicative range for the budget gap is:

    £37m to £55m in 2023/24;

    £46m to £90m in 2024/25.

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

<table>
<tr><th></th><th>Assumptions – central scenario</th><th>Risks & alternative options modelled</th></tr>
<tr><td colspan="3">Expenditure</td></tr>
<tr><td>Pay costs</td><td>We assume the 1.75% pay offer for 2021/22 is implemented. The projections include 2.5% per year from 2022/23 to 2023/24.<br><br>A provision is included for the 1.25% increase in National Insurance for 2022/23, as announced in September 2021.<br><br>No provision is included for increasing employers' pension contributions (in recent years, increases have been absorbed by departmental budgets)</td><td rowspan="2">Inflation has been rising in recent months, reaching 5.4% (CPI) in December 2021. Forecasts suggest it is likely to reduce later in 2022; if it remains high, there will be additional pressures on pay awards and non-pay inflation, partially offset by an increase in interest on investments.<br><br>Pessimistic scenario: sustained high inflation (above BoE forecasts) adds a net £3m per year to our costs.</td></tr>
<tr><td>Non-pay inflation</td><td>In line with the policy in past years, departments are expected to absorb the costs of non-pay inflation in most cases. The exceptions are independent sector care package costs, fostering allowances and the waste management contract; an allowance is built in for these increases.</td></tr>
<tr><td>Adult social care costs</td><td>Demographic pressures lead to 3% per year increase in service users aged 65+, and 5% for working age.<br><br>National Living Wage increases at 6.6% per year (4% in 2024/25).<br><br>Need – average 6% per year in-year increase in package costs<br><br>Forecasts for 2024/25 are particularly volatile; £20m additional budget has been included for the year.</td><td>Optimistic scenario: Some additional funding provided nationally of £0.5bn per year, of which our share is c.£3.5m.<br><br>Pessimistic scenario: More pessimistic modelling assumptions add a further £6m to costs in 2024/25.</td></tr>
<tr><td>Other service cost pressures</td><td>Departments are expected to find savings to manage cost pressures within their own areas. From 2023/24 onwards, a £3m per year planning provision has been included to meet unavoidable costs that cannot be managed within departments.</td><td>Costs relating to children who are looked after have been increasing nationally, and are a particular risk for future years.<br><br>Optimistic scenario: Only half the current planning provision is required for cost pressures.</td></tr>
<tr><td colspan="3">Income</td></tr>
<tr><td>Council Tax</td><td>Band D Council Tax will increase by 2.99% per year (2% base increase plus 1% for the Adult Social Care precept).<br><br>Council tax baseline increases by 500 Band D properties per year.</td><td>Further economic downturn leading to increased costs of council tax support to residents on a low income.<br><br>Optimistic scenario: Council tax baseline increases by 1,000 Band D properties per year due to new buildings, and continuing</td></tr>
</table>

| | | |
|---|---|---|
| | | decline in the cost of council tax support.<br><br>**Pessimistic scenario:** Reduced building rates and continued economic pressures lead to a restricted growth in taxbase of 250 Band D properties per year. |
| Business rates | The multiplier freeze for 2022/23, and new reliefs announced in October 2021, are fully funded.<br><br>No significant movements in the underlying baseline for business rates.<br><br>Government changes to business rates (e.g. new reliefs) will affect our retained income. To date, these have been met by additional government grant. | Business rates are particularly sensitive to economic conditions.<br><br>**Optimistic scenario:** Additional rates growth as the economy recovers, of £1.5m per year.<br><br>**Pessimistic scenario:** Erosion of the retail business rates baseline, and additional charitable reliefs, reduce income by £1m / year. |
| Government grant | 2022/23 funding was set out in the provisional settlement in December.<br><br>For 2023/24, we assume (in line with government statements) that existing RSG and top-up payments continue; but the Services Grant and New Homes Bonus are replaced by new funding. We have assumed our share of this based on previous funding allocations; this implicitly assumes a broadly neutral effect of any funding changes. | We do not yet have the details of local government funding for 2023/24 and 2024/25.<br><br>Paragraph 5 above discusses these in more detail.<br><br>**Optimistic scenario:** gains (limited by damping) of £4m in 2023/24 and £8m in 2024/25.<br><br>**Pessimistic scenario:** changes in formula reduce funding by £5m by 2024/25. |
| | | |
| **COVID-19 impacts** | The forecasts assume no long-term impact of the pandemic on service costs or income.<br><br>To the extent that there are effects persisting into 2022/23, it is assumed that these can be met from one-off resources. | |

**Appendix Five**

## Earmarked Reserves

1. The table below shows the position on earmarked reserves, after the changes made in the 2020/21 outturn report:

| | Balance at 1/4/2021 £000 |
|---|---|
| **Ring-fenced Reserves** | |
| School Balances | 24,108 |
| DSG not delegated to schools | 1,433 |
| School Capital Fund | 2.753 |
| Schools Buy Back | 2,429 |
| Education & Skills Funding Agency Learning Programmes | 1,112 |
| Arts Council National Portfolio Organisation Funding | 845 |
| Business Support Grants | 2,722 |
| Covid-19 Collection Fund Compensation | 25,720 |
| **Subtotal Ring-fenced Reserves** | **61,122** |
| **Departmental Earmarked Reserves** | |
| Social Care Reserve | 7,341 |
| ICT Development Fund | 8,436 |
| City Development & Neighbourhoods | 9,382 |
| Delivery, Communications & Political Governance | 3,477 |
| Health & Wellbeing Division | 4,291 |
| Financial Services Reserve | 3,052 |
| NHS Joint Working Projects | 9,420 |
| Housing | 2,358 |
| Other Departmental Reserves | 464 |
| **Subtotal Departmental Reserves** | **48,221** |
| **Corporate Reserves** | |
| Managed Reserves Strategy | 69,362 |
| COVID Pressures | 10,899 |
| Capital Programme Reserve | 97,587 |
| Insurance Fund | 10,608 |
| BSF Financing | 8,638 |
| Welfare Reserve | 6,429 |
| Severance Fund | 4,827 |
| Service Transformation Fund | 5,867 |
| Other Corporate Reserves | 4,652 |
| **Subtotal Corporate Reserves** | **218,869** |
| **Total Earmarked Reserves** | **328,212** |

2. Earmarked reserves can be 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. The need for each reserve will be reviewed before the outturn for 2021/22 is completed, with a view to releasing more funds for the managed reserves strategy.

3. Ring-fenced reserves include:-

- **Reserves for schools:**
    - School Capital Fund
    - Schools Buyback
    - Dedicated Schools Grant
    - Schools balances
- Two smaller reserves held because grant funding has been received to fund specific schemes.
- **Business Support Grants:** the government provided grant funding in 2020/21 to support businesses during the pandemic. The balance of funding is required for grants to businesses in 2021/22.
- **Covid-19 Collection Fund Compensation:** the government provided grant funding in 2020/21 to enable councils to pay additional business rate reliefs. However, due to the way local tax is accounted for, the reliefs do not affect the general fund until 2021/22. This reserve is essentially an accounting reserve which will be fully used in 2021/22; although a similar reserve is likely to be required at the end of 2021/22.

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

- **Social Care Reserve:** to assist in the management of budget pressures in adults' and children's social care. The available balance takes account of £10m committed to offset ASC pressures in the 2022/23 budget, as per the 2020/21 outturn report.
- **ICT Development Fund** this reserve funds a rolling programme for network and server upgrades and replacement of PC stock. It also includes funding put aside to support the delivering new ways of working programme.
- **City Development and Neighbourhoods:** to meet known additional pressures, including one off costs associated with highways functions and the cost of projects that have carried forward into 2021/22.
- **Health & Wellbeing:** to support service pressures, channel shift and transitional costs.
- **Delivery, Communications & Political Governance:** this is principally for elections and other projects within the department.

- **Financial Services:** for expenditure on improving the Council's main financial systems; spikes in benefit processing and overpayment recovery; and to mitigate budget pressures including reducing grant income to the Revenues & Benefits service.
- **NHS joint working projects:** for joint projects with the NHS.
- **Housing:** to meet spikes in temporary accommodation costs, hold grant funding for homelessness projects, and government funding to support recent arrivals to the city.

5. Corporate reserves include:-

- **Managed Reserves Strategy:** a key element to delivering this budget strategy, and discussed further in section 9 of the main report. The available amount takes account of transfers from the social care reserve, and to support COVID pressures, as set out in the 2020/21 outturn report;
- **COVID-19 pressures:** set aside to support services facing COVID-related pressures or income shortfalls that continue into 2021/22 or beyond;
- **Capital Programme Reserve:** to support approved spending on the Council's capital programme;
- **Insurance Fund:** to meet the cost of claims which are self-insured;
- **BSF Financing:** to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the redeveloped schools;
- **Welfare Reserve:** set aside to support welfare claimants who face crisis, following the withdrawal of government funding; and to support the anti-poverty strategy;
- **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other costs arising from budget cuts;
- **Service Transformation Fund:** to fund projects which redesign services enabling them to function more effectively at reduced cost, including the New Ways of Working programme;
- **Other reserves:** includes monies for "spend to save" schemes that reduce energy consumption, the combined heat and power reserve, and the surplus property reserve which is used to prepare assets for disposal.

## Comments from Partners

1. Seven responses to the consultation have been received, and are summarised below. The full responses are available from the report authors. Comments from scrutiny committees will be circulated with your agenda.
2. **Leicester Primary Partnership** (which develops collaboration between primary schools) supported the plan for a lobbying effort to central government; and suggested utilising comparisons with similar authorities to identify any lessons learned;
3. The **Friendship Group** stressed the importance of support to groups such as theirs who provide social engagement and activities to vulnerable people, and the impact on the physical and mental health of their service users;
4. A **user of Abbey Park** emphasised the impact of parks and leisure services on mental health, particularly during the pandemic;
5. A **representative of the voluntary sector** in Leicester emphasised the importance of the voluntary sector in the City, and the potential to leverage additional income.
6. The **Big Mouth Forum** of children and young people with additional needs or disabilities expressed their concern at rising demand and whether services would be able to meet needs; and gave views on how the available funding should be spent.
7. The **Mental Health Partnership Board** discussed the possibility of lobbying governmental organisations and others about the funding position facing the Council.
8. The budget was discussed at the **Learning Disabilities Partnership Board,** and acknowledged the difficult budget position.

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MINUTE EXTRACT
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Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 10 FEBRUARY 2022 at 5:30 pm

P R E S E N T:

Councillor Cassidy (Chair)

Councillor Gee
Councillor Halford
Councillor Joel
Councillor Joshi
Councillor Kitterick
Councillor Porter
Councillor Thalukdar
Councillor Westley

In Attendance

| | |
|---|---|
| Sir Peter Soulsby | City Mayor |
| Councillor Piara Singh Clair | Deputy City Mayor |
| Councillor Elly Cutkelvin | Assistant City Mayor |

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**72. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**73. DECLARATIONS OF INTEREST**

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

Councillor Westley declared an interest in agenda items to be discussed that family members were council tenants.

Councillor Halford declared an interest in agenda items to be discussed that family members were council tenants.

Councillor Joshi declared an interest in the agenda items to be discussed that his wife worked for the Reablement Team, Leicester City Council.

Councillor Thalukdar declared an interest in agenda items to be discussed that

a family member was a council tenant.

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

## 82. DRAFT REVENUE BUDGET

The Deputy Director of Finance submitted the Draft Revenue Budget 2022/23 which would be considered by Council on 23 February 2022. The draft minute extracts detailing the respective Scrutiny Commissions' discussion on the draft Revenue Budget report were included with the report.

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

The City Mayor presented the report and confirmed the report had been considered by all Scrutiny Commissions, with overall broad support for what was proposed. He noted that any comments could be taken to Full Council.

As the report had been discussed extensively elsewhere, the Chair asked Members to present their questions:

- Councillor Porter asked for clarification on the Adult Social Care precept on Council Tax and asked what percentage it was. He also referred to the report at 4.11 (a) 3% and 5% increase and asked what the figures were. He added this his understanding was as a result of the pandemic there was a dramatic fall in people going into care homes, which might have been through people not wanting to move into care homes because of Covid-19, or perhaps people passing away due to the virus, and noted was a large number of care homes that had closed or were struggling to survive because the customer base had reduced. He asked that with regards to the ASC precept which was reported at approximately £8million per year, and it had been reported there was a surplus of £6million in the budget, were people being misled that the ASC precept needed to be added and he asked for more clarity on the figures. Finally, he noted the government had announced that all Council Tax payers within bands A-D would receive money and how it would be paid.

The City Mayor noted the Council had been permitted to raise additional funds locally to contribute to the growing costs of adult social care. He reported the amount raised locally to meet rising costs fell a long way short each year to meet the rising costs, and in consequence the costs of care put a further squeeze on the diminishing budget and services beyond children's and adult social care across the council, with increased numbers and the costs of care packages falling many short of many millions of pounds and growing. The costs were significantly greater than the income. It was agreed that some years Adult Social Care managed to spend less than was budgeted for, however this was because the Council took a prudent approach to budgeting for ASC each year and added significant growth to provide for the likely costs. Whilst the authority was having to budget for an increase in ASC spend every year, it was not allowed to raise the funds necessary to fill that gap. The Government had increased National Insurance from April 2022, for which the funds raised would go in the first instance to the NHS. In reality, the Adult Social Care sector nationally had a workforce on very low wages who were delivering care in a very challenging but very skilled job.

The Deputy Director of Finance confirmed the precepts had averaged 1% or 2% a year, with the current 2021/22 financial year at 3%. For this coming financial year, councils would be allowed to increase Council Tax by 1% plus any unused precept. In Leicester's there was no unused precept to be added.

It was noted that 1% ASC precept in Council Tax generates£1.8m, approximately 1/10th of the £16million that would be added to the ASC budget to meet expected costs. At a previous meeting of Overview Select Committee when considering a budget monitoring report, it had been noted the ASC budget underspent, due to the prudence of the Council when budgeting. Also, the budget could sometimes be underspent because demand was not as forecast, package costs had not increased quite as much, or there may be unplanned additional external funding received towards aspects of the service. However, it did need to be recognised that the council was prudent in increasing its budget significantly each year to avoid overspend; this was not the case for a number of councils around the country that had overspent on ASC. It was reinforced that the precept was far less than the growth included each year.

The Chair noted that minutes on the budget had been received from each Scrutiny Commission. Chair of the Commissions were invited to speak about the relevant sections of the budget.

Councillor Joshi, Chair of Adult Social Care Scrutiny Commission, noted the department had a year on year growing increase in provisions and care facilities, which placed a huge pressure on finances. It was reported Members of the Commission had engaged extensively in the sectors of the scrutiny commission, with long discussions on the budget reports, and minute extract of the last meeting was appended to the report at Appendix D1. He said it was important that the minutes and recommendations in the minutes of ASC be included in the budget item for Council.

The Chair of ASC drew to Members' attention the challenge in finding £1.9m in savings, Members had looked at it following reviews of care and it was pointed out that it would only be possible if the resource for reviews was in place immediately with no delay, as costs were rising all the time, and the service would be in the same situation next year, and so on. Members had also discussed the cost of care and care packages which was concerning. It was noted Leicester was different to many other cities, with a higher demand of care services, an ageing population with ever increasing needs, combined with poverty, deprivation and high house prices, and shortage of care workers since the pandemic began.

The Chair of ASC also expressed concern over the delays in the Extra Care scheme, and Members urged for progress on the provision of the service within Leicester City. Members had also recognised the need to work closer with NHS partners so that the partnership continued to work in a crucial way for the future, especially following social care reforms, where the NHS would gain more and adult social care less. Has highlighted previously, with the increase in National Insurance contributions it was hoped ASC would benefit, but looked not to be the case, with the government not giving enough resources to meet proper levels of standards in ASC.

It was reported that the additional cost of care packages would be £42million, and Members had requested consideration be given to two options to bring some services in house to cut down on costs. It was noted that Members were currently undertaking a review into the cost of care and report would be compiled in the near future.

The Chair of ASC stated that a crisis did exist and would carry on for many years unless the government provided a huge amount of resources and money where it mattered into a sector where the pandemic had had a huge impact. He ended that he requested Members of the Overview Select Committee to support the recommendation put forward by the Scrutiny Commission.

The Chair of ASC requested Members to support the recommendations as outlined in the minute extract at Appendix D1 to the report to be taken to Full Council on 23 February 2022.

The Chair moved that the Overview Select Committee endorse the recommendations in the report. This was seconded by Councillor Westley and agreed by Members. Councillor Porter asked that his decision against the proposed recommendations be noted.

AGREED:

That:

1. The report and comments from Members of the Overview Select Committee, and comments from Members of the Scrutiny Commissions be noted be passed to the meeting of Council on 23 February 2022.

Leicester
City Council

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

Held: THURSDAY, 13 JANUARY 2022 at 5:30 pm

P R E S E N T :

Councillor March (Chair)

Councillor Broadwell
Councillor Kaur Saini
Councillor Kitterick

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

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**50. APOLOGIES FOR ABSENCE**

The Monitoring Officer noted that none had been received.

**51. DECLARATIONS OF INTEREST**

Councillor Joshi noted that he had a standing declaration in that his wife worked for the Reablement Team at Leicester City Council.

**52. MINUTES OF THE PREVIOUS MEETING**

It was noted that an adjustment be requested to be made to the minutes of the previous meeting to read that the Members of the Commission recommended that the Chief Operating Officer consider the options for providing the Flu Jab to staff and that a formal response be requested on the practicalities of this recommendation.

It was also requested that the minutes reflect the 40% figure of the backlog of outstanding reviews be outlined.

AGREED:

That the minutes of the Meeting of the Adult Social Care Scrutiny Commission from 12 December 2021 be confirmed as a correct record.

## 53. PETITIONS

The Monitoring Officer noted that none had been received.

## 54. QUESTIONS, REPRESENTATIONS AND STATEMENTS OF CASE

The Monitoring Officer noted that none had been received.

## 55. DRAFT REVENUE BUDGET AND DRAFT CAPITAL PROGRAMME 2022-2023

The Head of Finance delivered the report on the Draft Capital Programme to the Commission.

It was noted that the Capital Programme covered any new editions to the programme of which there were none in Adult Social Care. There were current schemes and policy provisions which were detailed in the report which also covered the Extra Care Scheme.

As part of the discussions on the Draft Capital Programme Members of the Commission shared their concerns on the lack of progress on the Extra Care Provision scheme and requested reassurance from Officers that substantial progress on its development over the next 12 months.

It was noted that significant work had been made before the consortium pulled out in 2021. Following this a soft market test had just been completed and currently the department were going through the procurement processes. Once this was completed the proposal would go to the market that would have potential interest to the market. Furthermore, a virtual session with potential providers had been undertaken where there were 40 participants. The proposals would be taken to the Executive in the upcoming months, following which the procurement process would commence where contracts would be agreed in 9-12 months and the final build process was estimated to take 18 months.

Members of the Commission shared their disappointment in the extensive time process, the market dictating on public money and questioned whether the project would develop any further in the upcoming year.

The Deputy City Mayor for Social Care and Anti-Poverty noted that everyone felt the same frustrations and that legal options were being considered following the consortium pulling out and considered a range of alternative options. Resources had been dedicated towards achieving this and this result was not for a want of trying. Going forward the department would have to go through the procurement process and there was a corporate desire to deliver this project.

Members of the Commission noted that over the last decade at this time of year the situation had been similar. With ever growing pressures on Adult Social Care and everyone associated to this department as a result of the rise in cost and fewer resources to deliver, this was a difficult and concerning situation the department finds itself in.

It was further noted that £9.3 million had been set aside for the Extra Care Schemes which will be spent over time. Officers also noted that this was considerably lower than the actual cost of the schemes and a substantial amount would need to be contributed to the development of Tilling Road and Hampden by the developers.

Members of the Commission supported the provision of disabled toilets and changing rooms. The Chair echoed her support of these facilities and further noted that she was not a fan of the market. After the extensive work put in to develop the project further, the market had failed the department and shared her frustrations on the law not allowing for the authority to deliver the project independently.

AGREED:

1) That the Strategic Director for Social Care and Education be requested to bring back a comprehensive report following any progress on the Extra Care Scheme;
2) That the Strategic Director for Social Care and Education be requested to consider the option for bringing parts of the service delivery in house, and;
3) That the Draft Capital Programme be welcomed and noted.

The Head of Finance delivered an overview of the report on the Draft Revenue Budget.

It was noted that the main issues that formed the background of this budget were the pandemic, social care funding crisis and 10 years of austerity. The spending review programme had served the department well over time and the service have been able to manage the cuts in funding and avoid any crisis.

The pandemic had a major short-term impact, this had resulted in the delay of budget reviews over the last two years. The 2021/22 budget would be balanced by using one off money of £17 million of one-off reserves and the draft budget for 2022/23 would also need to be balanced with one-off reserves of £30 million. Following a financial settlement, it was suggested that the authority was £5-6 million better off than what had been suggested at the time of publishing the report.

It was further noted that the main issue remained to be the increasing cost of adult social care and the fact that the funding had still not increased to match the increase in cost.

It was suggested that over the years there had been additional funding in ad hoc fashion through grants, the Better Care Fund and increase in the council tax precept, however this did not deliver anything systematically to address the increasing cost.

Following a comprehensive spending review there had been additional funding to the local authority but there would be nothing beyond 2022/23. As a result, this was a 1-year budget once again this year.

Following the social care reforms, the Health and Social Care Levy will raise £12 billion of new money. £5.4 billion of which will go to Adult Social Care over three years. It noted that the bulk of the money would be used to address the reduction in individuals care contributions and therefore, a reduction in the income to the Council. Any further amount of money will be set aside by government to equalise the cost of care between those who self-fund and those funded through the Council. A smaller amount of money would be set aside for general reforms which would address things like technology. It was noted that the general estimations would suggest that the money set aside would not be sufficient to cover the additional cost for councils.

It was noted that the net growth for Adult Social Care was £16.5 million and this had been incorporated into the draft budget.

The Strategic Director for Social Care and Education noted that the Department for Health and Social Care had asked every local authority to do a cost of care exercise for this calendar year in order to inform on fee rates for next year. The request from was to provide information on Home Care and if possible, on care homes and a national methodology had been developed by the Department for Health and Social Care as a recommended approach.

As part of the discussions, it was noted that:

- The report was a minefield of words and numbers to find the information that Commission Members required for scrutiny.
- It was noted that £17 million was the one-off money that would be required to cover the shortfall
- It was noted that the £17.5 million figure had been incorporated into the budget which included the trend rate in which care packages increase over the year. The trend rate of increase in care packages had been lower over the two years as a result of the pandemic.
- The increase in the budget didn’t improve services but reflected the increase in the national minimum wage which was absolutely deserved by staff
- It was noted that the £1.9 million cut was not as a result for taking away services but ensuring that we are not giving service users something extra
- Members of the Commission requested Officers to provide a figure on how much money had been saved following package reviews in the last 12 months to understand whether the figures provided were realistic
- The Strategic Director for Social Care and Education noted that the department had not been looking for savings from package reviews, but packages had been increasing at a faster rate than most other parts of the country which suggested that this would be an area where there would be scope for savings
- Members of the Commission noted that for many years it had been suggested that the review of care packages would allow for savings to be

made and this generally had not been the case, as the trend showed that reviewing care packages generally meant that the cost went in an upward direction

- The Deputy City Mayor for Social Care and Anti-Poverty noted that the delay in reviews was not intentional and was a result of staff resources being deployed to other urgent matters within care
- Members queried the intuitive of exploring using technology before putting care packages in place. It was noted that a report would be provided at a later date on the technology aspect, but assistive technology was available to continue to provide a level of service
- Members of the Commission suggested that although assistive technology would allow for a continued service and may improve the quality of care it was unclear as to how this would help make savings
- It was noted that with an aging population with needs increasing, an alternative nationally commissioned care service, nationally organised on the same lines of the NHS would help reduce pressures on local authorities
- Members noted that the cost of care packages in 2023/24 would increase to £42 million. The Commissions task group review had considered the cost of domiciliary care and it was apparent that the were paying for private profits. It was suggested that as we had no provisions in-house, we had to use the market who were interested in making profits. Members were interested in what parts of the service could be delivered in house as the private sector had not delivered on what we were told.
- It was noted that it was perfectly legal for local authorities to provide services in house, with Derbyshire having a substantial service inhouse. The cost of these services were more than the that in the commercial sector and although these services can provided inhouse, members of the public had the right to use whichever service they wished to.
- Members of the Commission supported the idea of services being provided inhouse and were requested that this option for a well-run, well-managed and well-planned inhouse service be considered further.

AGREED:

1) That the Strategic Director for Social Care and Education be requested to work with colleagues in the NHS and with other systems better to outline challenges the department face.
2) That the ongoing Task Group review be treated seriously and carry out an additional review.
3) That the Strategic Director for Social Care and Education be requested to find the £1.9 million in savings following the reviews.
4) That the Strategic Director for Social Care and Education be requested to use the avenues available to ensure that the comments from the Commission be added to the growing pressures for fairer solution.
5) That the Strategic Director for Social Care and Education be requested to consider the options of bringing services inhouse with consideration given to the charity and co-operative sector.
6) And that the staff working within the Social Care system be thanked for their continuous efforts.

Leicester
City Council

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

Held: TUESDAY, 18 JANUARY 2022 at 5:30 pm

P R E S E N T :

Councillor Gee (Chair)
Councillor Cole (Vice Chair)

Councillor Batool
Councillor Crewe
Councillor Pandya
Councillor Pickering
Councillor Riyait
Councillor Willmott

In Attendance:

Councillor Cutkelvin – Assistant City Mayor for Education and Housing
Councillor Russell – Deputy City Mayor for Social Care and Anti-Poverty

Standing Invitees (Non-Voting)

| | |
|---|---|
| Janet McKenna | Unison |
| Joseph Wygeldacz | Teaching Unions |

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**1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

It was noted that Councillor Moore was present at the invitation of the Chair to contribute to the Millgate School item.

**2. DECLARATIONS OF INTEREST**

Councillor Moore declared that she was on the advisory board for Millgate School, but as she was present at the invitation of the Chair this was not a conflict of interest.

## 6. DRAFT REVENUE BUDGET 2022/23 AND DRAFT CAPITAL PROGRAMME 2022/23

The Deputy Director of Finance submitted a report setting out the City Mayor's proposed budget for 2022/23. The Commission was recommended to consider and comment on the Children, Young People and Education element of the report. The Commission's comments would be forwarded to the Overview Select Committee as part of its consideration of the report before presentation to the meeting of Council on 23rd February 2022.

Martin Judson, Head of Finance, presented the item. The background to the budget was outlined initially, it was noted that:

- The main issues affecting the budget were the decade of austerity, the Covid pandemic, and the rising costs of Adult Social Care. Of these Adult Social Care was most significant.
- The Government Finance Settlement was better than expected but was still only for one year.
- Reserves from previous years would be used to balance the budget, however it was projected that these reserves would run out by 2023/24 and that other savings would have to be found in that case.
- There was currently no indication that the Government would provide a systematic method of funding the increasing costs of Adult Social Care for Local Authorities.

The impacts of the budget on Children, Young People, and Education Services were next outlined. It was noted that:

- The two main areas of increasing costs were CLA and SEND Services.
- Due to uncertainty around placement costs, there was no permanent budget growth for CLA Services. However, any overspend in this area would be covered by social care reserves.
- Expansion of in-house CLA placements was being looked into. Additional support for foster carers would also be provided.
- The number of requests for Education, Health, and Care Plans (EHCPs) had risen significantly, in line with national trends. Therefore, a budget increase had been put into the SEND Service to ease the staffing strain. It was uncertain if this increase in requests would be sustained.
- Another reason for the budget growth in the SEND Service was the failed renegotiation of contracts for taxis for EHCP pupils in December 2020.

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

- The Department for Education was running a review of EHCP policy to understand the rise in requests for EHCPs. The Council itself was working with other nearby Local Authorities to try and understand why requests were increasing.

- Providing the assessment process for EHCPs was a statutory duty of the Council. Therefore, if requests for EHCPs continued to grow at the current rate then additional funding would need to be sought.
- Funding for support for those with EHCPs was provided by the ringfenced High Needs Block only, the general fund was not allowed to be spent in this area.
- The trends for the increase in requests for EHCPs such as by age and specific conditions had yet to be examined but would need to be.
- Most other Local Authorities were seeing a significant overspend in their Children's Social Care Budget, with Leicester being an exception to this trend.
- Permanence targets for different age groups and trends in CLA numbers were used as the main predictive measure of numbers in the future. Current considerations were older children with complex needs entering the system, unaccompanied asylum-seeking children who were placed in Leicester, and those in semi-supported accommodation.
- Court proceedings for adoption orders and other permanence options were being slowed down by the backlog of court cases from the pandemic. Once this cleared up it was thought that numbers of CLA would stabilise and decrease.

There was a discussion on the budget increase for taxi provision for EHCP pupils. Frustration and disappointment were expressed over the increase, and it was suggested that an overhaul of the provision such as bringing it in-house would improve the Service and save money. More detail was requested on the increase. Officers and Members of the Executive noted the following:

- Had the previous procurement process been successful it would have made savings for the Service. Despite having been closely involved in the design of the new approach, the taxi companies withdrew from the process immediately before the contracts would have been signed.
- The provision of transport was mentioned in the EHCP and therefore was a statutory duty for the Council.
- A consultation process had recently concluded looking at a new transport policy for EHCP pupils. It was anticipated that this would lead to less of a reliance on taxi contracts, with other transport modes being given higher priority.
- It had previously been determined that an in-house provision would be more expensive than the current arrangements. However, due to several industry issues, the fares for private taxis had recently significantly increased. Meaning that the potential of bringing provision in-house may need to be looked at again.
- One of the options being considered in the consultation process was the Personal Transport Budget. As part of this school attendance was monitored and the budget could be withdrawn if it was being abused.
- Another option was the expansion of the Yellow Bus Service, however this was not the appropriate option for many pupils. This was an example of the importance of working with each family to determine the best transport option.

- A renegotiation of taxi contracts was ongoing, and it was hoped that this could lead to a longer term saving. Contracts were based on individual pupils.
- A number of those who use Council funded travel to school had disabilities that would make it difficult for them to travel with other pupils.
- The most suitable transport mode for a pupil might change over time, the new policy would aim to give families independence to make those choices.
- An EHCP assessed if the child needed additional support for travel to school. Meaning that not every child with an EHCP would need Council funded travel.
- It was not possible to require that any taxis providing the travel service were licensed in Leicester.

AGREED:

That:

1. The Commission noted that Draft Revenue Budget and Draft Capital Programme for 2022/23.
2. The Commission noted that the Department for Education had not properly funded SEND Services and would need to provide more funding in the future.
3. The Commission requests more details on the budget increase for taxi provision for EHCP pupils.

Leicester
City Council

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

Held: WEDNESDAY, 19 JANUARY 2022 at 5:30 pm

P R E S E N T:

Councillor Joel (Chair)
Councillor Sandhu (Vice Chair)

Councillor Malik
Councillor Porter
Councillor Rae Bhatia
Councillor Singh Johal

In Attendance

Councillor Clarke – Deputy City Mayor, Environment and Transportation
Councillor Myers – Assistant City Mayor, Jobs, Skills, Policy Delivery and Communications

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**51. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Fonseca and Valand.

**52. DECLARATIONS OF INTEREST**

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

Councillor Malik declared an interest in agenda item 6, Community Renewal Fund, in that he worked for an organisation which was part of one of the Consortium which had been successful in the funding program.

Councillor Porter declared an interest in agenda items 7 and 8 that he was not in favour of bus lanes but believed he should not be excluded from any debate in terms of the agenda items.

Councillor Joel declared an interest in agenda item 6, Community Renewal Fund, in that she knew Zinthiya Ganeshpanchan from Zinthiya Trust who was present at the meeting, having worked with her previously around domestic violence.

In accordance with the Council's Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillor's judgement of the public interest. The Members were not, therefore required to withdraw from the meeting.

## 53. MINUTES OF THE PREVIOUS MEETING

Councillor Porter stated he should be recorded as being in attendance at the last meeting of the Economic Development, Transportation and Climate Emergency held on 15 December 2021.

AGREED:

That the minutes of the meeting of Economic Development, Transportation and Climate Emergency held on 15 December 2021 be confirmed as a correct record, subject to the amendment above.

## 60. DRAFT REVENUE BUDGET AND CAPITAL PROGRAMME 2022/23

### DRAFT REVENUE BUDGET 2022/23

The Deputy Director of Finance submitted a report the purpose of which was to describe the City Mayor's draft budget for 2022/23. The Commission was recommended to consider and comment on the City Development and Neighbourhoods Element of the budget. The Commission's comments would be forwarded to the Overview Select Committee as part of its consideration of the report before presentation to the meeting of Council on 23rd February 2022.

Amy Oliver, Head of Finance, presented the report. It was noted the revenue budget looked at the day to day running costs of the Council, and cost of individual divisions, and as had been for a number of years, was focused around the decade of austerity the Council had experienced, the current pandemic that had affected some of the budget reviews that would have taken place, and the current social care funding crisis.

Members were asked to note the budget presented showed a funding gap for the next financial year and the years after, which was forecast to rise to £50million for 2023/24. For 2022/23 the budget gap would be met from reserves, but for 2023/24 the project gap could no longer be managed by the Reserve Strategy. The report talked about a budget review to try and bridge the gap.

Members were then given the opportunity to ask questions, and the following responses were given:

- It had been reported across the country that as a result of Brexit and the pandemic that a large number of people had left the country. It was asked that, in terms of Leicester's population and the money received from Council Tax, had the Council seen a decline in the tax received from vacant properties? The meeting was informed that Council Tax was based on the properties rather than the number of people living in the city, and there were also various discounts given for example single people households that would impact on the Council Tax due.. It was further noted that if a property became vacant then the owner continued to be liable for Council Tax after the first month.
- Members were informed the Council Tax base had increased slightly for the past financial year which was helping the Council's budget. New builds were also adding to the tax base, for example, schemes such as Ashton Green.
- Members referred to section 4.23 in the report, and the £4.3million income shortfall in City Development and Neighbourhoods. It was reported that the shortfall was being met with Government grant received to support the authority though Covid.

The Chair thanked the officer for the report.

AGREED:

1. That the report be noted.
2. Information on Council Tax changes per population be provided to Members.

**DRAFT CAPITAL PROGRAMME 2022/23**

The Deputy Director of Finance submitted a report the purpose of which was to provide information to the Commission on the draft Capital Programme for 2022/23. The Commission was recommended to consider the report and comment on report. The Commission's comments would be forwarded to the Overview Select Committee as part of its consideration of the report before presentation to the meeting of Council on 23rd February 2022.

Amy Oliver, Head of Finance, presented the report.

The Chair asked that at section 3.19(c) in the report, it mentioned £250,000 had been set aside for festive decorations, and as reported was a higher than usual amount. It was noted the authority was given money to help with the impact of Covid, and it was identified that some of the schemes, such as improving the decorations, would help with the regeneration of the city and assist with economic recovery, so rather than the £50,000 as usual for the annual programme, additional money had been invested upfront, and would help upgrade decorations around the city, and they would be more environmentally friendly.

The Chair thanked the officer for the report.

AGREED:

1. That the report be noted.

Leicester
City Council

Extract

Minutes of the Meeting of the
HEALTH AND WELLBEING SCRUTINY COMMISSION

Held: TUESDAY, 25 JANUARY 2022 at 5:30 pm

P R E S E N T:

Councillor Kitterick (Chair)

Councillor Aldred, Councillor March, Councillor Pantling, Councillor Dr Sangster, Councillor Whittle

In Attendance:

Councillor Dempster, Assistant City Mayor for Health

**53. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Fonseca.

**54. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**65. DRAFT REVENUE FUND BUDGET AND CAPITAL PROGRAMME - 2022/23**

The Deputy Director of Finance submitted a report setting out the City Mayor's proposed budget for 2022/23. The Commission was recommended to consider and comment on the Health and Wellbeing element of the report. The Commission's comments would be forwarded to the Overview Select Committee as part of its consideration of the report before presentation to the meeting of Council on 23rd February 2022.

The Chair went directly to Members' questions.

In response to questions put by Commission Members about the £200k reduction in the budget for the Healthy Child Program, it was noted that the reduction had been agreed in previous years to take place in 2022/23. It was a general reduction in the contract price so in theory there would be no change in available services.

It was acknowledged that although applications for funding for certain schemes were ongoing, there would likely not be additional funding to Public Health Services in the future to help deliver major schemes and that might require the Service to assess its operations and make changes to spend more efficiently. This led to a discussion around the importance of taking a holistic approach to health across the entire public sector, it was agreed that this approach would allow more efficient spending. Health Partners suggested that a presentation could be brought to a future meeting on how work was being done to make Health Service spending more cohesive.

AGREED:

That:

1. The Commission noted the Draft Revenue Fund Budget and Draft Capital Programme for 2022/23.
2. The Commission recommend that a presentation be brought to a future meeting of the Commission on making Health Service spending more cohesive.

Leicester
City Council

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**MINUTE EXTRACT**
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Minutes of the Meeting of the
HERITAGE CULTURE LEISURE AND TOURISM SCRUTINY COMMISSION

Held: THURSDAY, 20 JANUARY 2022 at 5:30 pm

P R E S E N T :

Councillor Halford (Chair)
Councillor Ali (Vice Chair)

Councillor Dr Barton
Councillor Solanki

In Attendance:

Councillor Piara Singh Clair – Deputy City Mayor, Culture, Leisure, Sport and Regulatory Services

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**12. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Cole and Shelton.

**13. DECLARATIONS OF INTEREST**

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

There were no declarations of interest.

**17. DRAFT REVENUE BUDGET 2022/23 AND DRAFT CAPITAL PROGRAMME 2022/23**

The Deputy Director of Finance submitted a report setting out the City Mayor’s draft Revenue Budget for 2022/23 and Draft Capital Budget for 2022/23.

The Commission were recommended to consider and comment on the Heritage, Culture, Leisure and Tourism element of the budgets. The Commission’s comments would then be forwarded to the Overview Select Committee as part of its consideration of the reports before they are presented at the Council meeting on 23 February 2022.

The Head of Finance introduced the report and drew attention to the following points:

- The Budget for 2022/23 was preceded by a number of events: the prior decade of austerity (2010-2020), the effects of the COVID-19 Pandemic and the current Social Care crisis.
- The Spending Review approach had served the Council well achieving savings of nearly £50m between 2014-2020. However, the effects of the Covid pandemic meant a significant programme of savings could not be delivered during 2021/22 and that budget was balanced using reserves.
- It was anticipated that significant additional savings would be required beyond 2021/22 to ensure future financial sustainability.
- Due to past processes to balance earlier budgets, the council's reserves remained healthier than many authorities.
- There were increasing pressures upon budgets due to increased Social Care demand, with Adult Social Care costs estimated to rise by £18m in 2022/23.
- The government's Comprehensive Spending Review provides additional funds for local government in 2022/23, and £9m was expected to be allocated to Leicester City Council, a fraction of the amount necessary to cover increased demand.

The Chair invited Members to comment on the report.

Members expressed concern about the shortfall of the budget and sought response on what steps could be taken to avoid further decline.

Members also expressed concern about the Festival Decoration budget, which was thought to be excessive, in contrast to the budget shortfalls across other areas.

In response to points raised by Members, it was noted that:

- Further shortfalls in the budget were expected in the future, which the Council were taking steps to minimize through further savings. A financial recovery was not expected in 2022-23.
- The budget due to be spent on festive decorations was money set aside and currently had no fixed purpose, future spending in this area may not require the entire amount set aside.
- The Christmas Tableau was no-longer fit for purpose and required replacement in the future, this remained subject to an amount to be determined and a final decision.
- The Festive Decorations budget may be used to cover other festivities; however, this was unclear, and a report providing further details around that would be presented to a future meeting.

- The Investment fund for Shopfronts was a long-standing, separate fund to the COVID-19 recovery fund and details of a top-up to the Investment fund were included in the report.
- Focused works were underway on green initiatives to improve sustainability in the city with the Economic Regeneration Group via Capital Funding.
- The projected £300k figure, set aside for Ugandan Asians 50 Year Anniversary Commemoration, was notional and not a determined figure. This figure had been arrived at after discussions with local businesses and community members.
- The impact of the budget on sport and leisure facilities across the city was currently unknown, however all services were being asked to consider a revision of their budgets in-line with the Managed Reserves strategy.
- Regarding the multi-use game areas budget, a review was being conducted to assess the area's most in need of refurbishment, which included schools and parks.

Members of the Commission noted the upcoming commemoration of the 50th Anniversary of the Ugandan Community Group and praised their historic contribution and devotion to the city and its development. It was noted the group intended to hold a celebration event in Abbey Park and that a proposal for a memorial had been received.

The Chair thanked officers for their extensive work on the budget report.

AGREED:

1. That the contents of both reports be noted.
2. That the Overview Select Committee be asked to take account of the comments made by this Commission in its consideration of the General Fund revenue budget for 2022/23 and the Capital Programme for 2022/23.
3. That the Assistant City Mayor for Culture, Leisure and Sport be asked to keep the Commission advised of the progress with spending reviews of services or changes to service area budgets falling within the Commission's remit.
4. That the Council be recommended to explore further avenues of funding and sponsorship to assist in combating the shortfall in budget through the Managed Reserves strategy.

Leicester
City Council

Extract

Minutes of the Meeting of the
NEIGHBOURHOOD SERVICES SCRUTINY COMMISSION

Held: THURSDAY, 27 JANUARY 2022 at 5:30 pm

P R E S E N T :

Councillor Thalukdar(Chair)

Councillor Joshi
Councillor Nangreave
Councillor O'Donnell,
Councillor Waddington

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

**1. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Solanki and Westley.

**2. DECLARATIONS OF INTEREST**

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

Councillor Nangreave declared an interest in Appendix D to the report, Statement of Licensing Policy 2022-2027, namely that licenses were currently being considered in her ward.

I accordance with the Council's Code of Conduct, the interest was not considered so significant that it was likely to prejudice the Councillor's judgement of the public interest. The Member was not, therefore, required to withdraw from the meeting.

## 7. DRAFT REVENUE BUDGET 2022/23 AND DRAFT CAPITAL PROGRAMME 2022/23

The Deputy Director of Finance submitted a report setting out the City Mayor's proposed budget for 2022/23. The Commission was recommended to consider and comment on the Neighbourhood Services element of the report. The Commission's comments would be forwarded to the Overview Select Committee as part of its consideration of the report before presentation to the meeting of Council on 23rd February 2022.

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

- The main issues affecting the budget were the decade of austerity, the Covid pandemic, and the rising costs of Adult Social Care. Of those the latter was most significant.
- The Government Finance Settlement was better than expected but was still only for one year.
- It was noted as per recent years reserves would be used to balance the budget. However, it was projected that these reserves would run out by 2024/25 and savings would need to be found to balance the budget.
- It was noted a 3% Council Tax increase was proposed as part of the revenue budget report.

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

- The report going to Full Council would be the final budget with updated figures following the Government's funding settlement.
- The inflation situation was under review and would be considered in the final budget figures.
- It was noted in Neighbourhood and Environmental Services there were some savings built into 2022/23 budget. However, they predominantly related to income generation.
- It was noted that future budget savings would go through the relevant consultation process and decisions would be taken as savings were identified.
- It was noted in the revenue report that there were areas of budget shortfalls in relation to income. It was confirmed that this mainly related to areas where income was being impacted as a direct result of the pandemic, such as parking income and one-off covid money was being used to fund these budget gaps.
- A fundamental budget review was ongoing, with the aim of assessing where the best place to make savings would be, as well as generating more income.
- The only Capital Projects for the Service that had an impact on the Revenue Budget were leases for equipment for the Parks Service which used prudential borrowing.

AGREED:

That

1. The reports be noted.
2. The Commission recommends that the Council explore how more income can be generated for services.

**4. b Capital Programme 2022/23**

The Council is asked to:-

a) Consider the comments of the City Mayor's Recommendations for the Capital Programme 2022/23 to be published before the Budget Meeting and will be attached to the Council Script; and

b) Consider the views of the Overview Select Committee meeting held on 10 February 2022 and attached at Appendix 4 (B -2).

The Council is recommended to:-

a) Approve the recommendations for the Capital Programme 2022/23 in paragraph 2 of the report at Appendix 4 (B -1), including the City Mayor's recommendations, which will be published ahead of the Budget Meeting and will be attached to the Council Script.

# Capital Programme 2022/23

Decision to be taken by: Council

Date of meeting: 23rd February 2022

Lead director: Colin Sharpe, Deputy Director of Finance

## Useful information

■ Ward(s) affected: All

■ Report author: Ben Matthews

■ Author contact details: ben.matthews@leicester.gov.uk

■ Report version number: 1.0

## 1. Summary

1.1 The purpose of this report is to ask the Council to approve a capital programme for 2022/23**.**

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 and 2021/22 we set a one year programme due to uncertainty over future resources. There continued to be uncertainty during the period in which we prepared this programme, and we did not know what grant to expect, either in 22/23 or beyond.
The COVID-19 pandemic also added uncertainty, creating significant slippage on our recent programmes. We are therefore presenting another one year programme. Schemes already approved and in the current programme for 2021/22 will continue to form part of the programme.

1.4 The proposed schemes set out in this report for the "General Fund" element of the capital programme will cost £56m. In addition to this, the HRA capital programme (which is elsewhere on your agenda) includes works estimated at £117m, £100m of which relates to the affordable homes programme.

1.5 The table below summarises the proposed spending for capital schemes starting in 2022/23, as described in this report:-

| **Proposed Programme** | **£m** |
|---|---|
| Immediate Starts: | |
| Estates and Building Services | 6.1 |
| Housing General Fund | 5.4 |
| Neighbourhood and Environmental Services | 0.8 |
| Planning, Development and Transportation | 11.3 |
| Tourism, Culture and Inward Investment | 1.2 |
| Social Care and Education – Children's Services | 8.4 |
| Policy Provisions | 22.5 |
| **Total New Schemes** | **55.7** |

**Funding**

| | |
|---|---|
| Monies ringfenced to Schemes | 12.6 |
| Unringfenced Resources | 43.1 |
| **Total Resources** | **55.7** |

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

| | **£m** |
|---|---|
| General Fund | 55.7 |
| Housing Revenue Account | 117.5 |
| **Total** | **173.2** |

1.7 In addition to the above, the current programme is still being delivered and therefore a number of significant schemes will continue to spend in future years.

1.8 The Council's total capital expenditure now forecast for 2022/23 and beyond is expected to be around £300m, including the HRA.

1.9 The Council continues to bid for significant sums from government initiatives and has been extremely successful at the end of 2020/21 and during 2021/22. Examples include:

- Receiving £24m in Government Grant for the funding of energy efficiency technology on the Council's estate.
- Being successful in "levelling up" grant bids towards Pioneer Park, Pilot House and the Railway Station, that will bring a total investment on these schemes of £59m.
- Awarded £19m in Government Grant towards the purchase of 96 electric buses and their associated charging infrastructure, with there also being substantial operator contributions to the scheme.

1.10 The capital programme is split into two parts:-

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

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

1.11 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 Six, subject to any amendments proposed by the City Mayor;

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

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

(d) For the purposes of finance procedure rules:

- Determine that service resources shall consist of service revenue contributions; HRA revenue contributions; and government grants/third party contributions ringfenced for specific purposes (but see below for LLEP investment programmes);
- Designate the operational estate capital maintenance programme, highways maintenance programme and transport improvement programme as programme areas, within which the director can reallocate resources to meet operational requirements.

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

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

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

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

(g) Delegate to directors, in consultation with the relevant deputy/assistant mayor, authority to incur expenditure 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 7.

## 3. Proposed Programme

Key Policy Issues

3.1 In preparing the 2022/23 capital programme, similar to previous years the key focus is to deliver strategic objectives and meet (as far as possible) a level of need which considerably exceeds the level of resources the Council has available.

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

- A fair city
- Connecting Leicester
- Homes for all
- Lifelong learning
- A city to enjoy

3.3 The capital programme for 2022/23 is a one year programme for the reasons stated above. Nonetheless, it complements the existing programme and explicitly aims to support the City Mayor's delivery plan.

3.4 When the outturn for 2020/21 was approved, sums were set aside to assist with the aftermath of the pandemic. This included £20m set aside for potential match funding for "levelling up" schemes and a further £10m for schemes supporting recovery. In the event, our levelling up grant application to the Government was wholly successful, but will only require half of the £20m set aside. The remainder is available to support the capital programme. Some of the recovery monies are being utilised for schemes in this programme, such as assisting retail and to support New Ways of Working within the Council. This is further detailed in the financial implications to this report.

3.5 It is important to note that the council's commitment to tackling the climate emergency is most obviously but not exclusively addressed within the Connecting Leicester and the Transport Improvement Works Programmes.

3.6 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.

3.7 Similarly, our commitment to invest in the whole city cuts right across our capital programme. The housing, children's 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

3.8 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.

3.9 Appendix One presents the unringfenced resources available to fund the proposed programme, which total some £43m. The key funding sources are detailed below.

(a) £5.8m of general capital receipts and £0.7m of Right to Buy Receipts;

(b) £13.6m of unringfenced grant funding. Most of these figures are estimated in the absence of actual allocations from the Government (the figure for 2023/24 represents a first call on that year to enable school schemes to be planned);

(c) £10.4m of Earmarked Reserves set aside to support schemes in the Levelling Up programme, which are surplus to requirement, as a result of being successful in the bid for government grant.

(d) £12.5m of monies we already have, primarily from savings achieved in previous programmes. This figure is net of £0.94m which will be used to support phase 2 of the Leisure Centre Capital Programme in line with a decision on 27th October 2021.

3.10 The Council has a policy of not committing capital receipts until they are received. This increases the resilience of the capital programme at a time when revenue budgets are under severe pressure. £5.8m of general capital receipts are available for 2022/23 based on receipts received or due at the time of writing. Subsequent receipts will be available to fund the 2023/24 programme.

3.11 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.

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

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

(b) Borrowing. Because borrowing has an impact on the revenue budget, it is only used for reasons detailed in capital strategy at Appendix 7 of this report;

(c) Earmarked reserves, such as the Covid Recovery Reserve and the Transformation Fund

3.13 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.

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

<u>Proposed Programme – Immediate Starts</u>

3.15 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. Responsibility for the majority of projects rests with the Strategic Director of City Development and Neighbourhoods.

3.16 £6.1m is provided for Estates and Building Services. This area is focussed on the Council's corporate estate.

(a) £252,000 is provided to replace the Air Handling Units at the **African Caribbean Centre.** The new system will be more efficient, cost effective and would provide suitable ventilation throughout the building.

(b) £680,000 is provided to support the **Changing Places – Disabled Toilet Facilities** scheme. The Council is contributing £200,000 as match funding and is expecting to receive £480,000 in government grant. The project focusses on provision of larger accessible toilets for severely disabled individuals, with equipment such as hoists, privacy screens, adult-sized changing benches, peninsula toilets and space for carers.

(c) £1m is provided for the **Malcolm Arcade Refurbishment** to create a lighter more vibrant atmosphere with the intention to entice new businesses and customers. Refurbishment works will include a roof replacement, which will help to reduce maintenance costs and ensure the building is watertight. Other works will be updates to the floors, walls, staircase, lighting, doors and windows.

(d) £400,000 is provided for **Feasibility Studies.** This will enable studies to be done, typically for potential developments not included elsewhere in the programme or which might attract grant support, without requiring further decisions.

(e) £3.8m has been provided to support the annual **Operational Estate Capital Maintenance Programme**. This will support works to the properties the Council uses. This is a rolling annual programme and spending is prioritised to reflect asset condition and risk. The proposed programme is shown at Appendix 4, but may vary to meet emerging operational requirements.

3.17 £5.4m is provided for the Housing General Fund.

(a) £100,000 is provided in 2022/23 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.

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

(c) £3.4m 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.

(d) £50,000 continues to be made available to top up **the Long Term Empty Home Acquisitions** pot in 2022/23. The Empty Homes Team gives advice and assistance to owners, helping them bring homes back into occupation. As a last resort, when all avenues have been exhausted, we have to use compulsory purchase. £50,000 covers the incidental costs associated with acquisition where CPO or negotiated purchase is required, where such costs cannot be recouped from the sale proceeds.

3.18 £0.8m is provided for Neighbourhoods and Environmental Services.

(a) £592,000 is provided for the **Library Self-Access Rollout** scheme encompassing nine Leicester libraries, to enable customers to access library facilities outside of staffed hours. The rollout follows on from the pilot project implemented during 2021/22 at two libraries. The scheme is being funded by the transformation fund earmarked reserve.

(b) £200,000 is provided for **Grounds Maintenance Equipment** to replace ageing machinery with up to date, energy efficient models to provide continued maintenance of our parks and open spaces. The replacement of this equipment is met from borrowing, and a revenue budget exists for this purpose.

3.19 £11.3m is provided for Planning, Development and Transportation.

(a) £4m is provided for the **Connecting Leicester** scheme to support the continuation and expansion of the City Mayor's programme to enhance the city centre and local centres through improvements to public realm and accessibility by modes other than use of private cars. A work programme will be determined in due course and the priority areas are as follows: St Martin's; Queens Road; Granby Street; Braunstone Gate.

(b) £100,000 has been provided for the **Front Walls Enveloping Scheme** and is a continuation of previous schemes. It involves the enclosure of small spaces in front of housing. Enveloping schemes can make a significant improvement to local neighbourhoods and enable occupiers to tend house fronts more effectively.

(c) £250,000 is included as part of the continued rolling programme to replace **Festive Decorations**. This is a higher than usual amount in order to make a step improvement in displays, which will assist economic recovery. It will be funded from the covid recovery reserve.

(d) £300,000 is provided to continue the **Flood Risk Prevention** scheme into 2022/23. The programme supports the Local Flood Risk Management Strategy and action plan, and the delivery of our statutory role to manage and reduce flood risk in collaboration with the Environment Agency & Severn Trent Water.

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

(f) £1.6m is provided for **Strategic Sites Development** to continue with the Council's ongoing development programme and commitment to creating more homes. The sites included are Ashton Green, Western Park Golf Course and Land at Beaumont Park. This programme will enable the continuation of strategic plans for development of key sites for future homes to be built. This programme will initially be funded from prudential borrowing and repaid with future capital receipts that it generates.

(g) £2.2m 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 5. £50,000 has also been included to continue the successful street branding programme.

(h) £2.6m is provided in 2022/23 to continue the rolling programme of works constituting the **Transport Improvement Programme**. Some of the priority areas include:

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

3.20 £1.2m is provided for Tourism, Culture and Inward Investment.

(a) £300,000 is provided for the **Ugandan Asians – 50 Year Anniversary Commemoration** for commemorative works (to be determined after consultation with the local community) to celebrate the contributions of Ugandan Indians who first arrived in the UK 50 years ago.

(b) £850,000 is provided for **Retail and Shop Front Improvements**. The funds will enable the continuation of the retail area improvement scheme. The scheme will continue with the provision of grants such as shop front grants to business to support business growth and café seating grants to increase footfall in the city Centre and neighbourhoods. Furthermore, improvements will also entail enhancing retail areas through new paving, bollards, landscaping, roofing, and shop fronts. It will be funded from the covid recovery reserve.

3.21 £8.4m is provided for Social Care and Education, Children's Services.

(a) £850,000 is provided for **Children's Homes Refurbishments** at the following Children's Homes: Barnes Heath House, Dunblane Avenue and Wigston Lane. Works will include a ground floor extension at Barnes Heath House, the refurbishment of kitchens and bathrooms and increasing storage space.

(b) £7.5m has been provided to continue with the **Children's Capital Improvements Programme** within our schools. The programme will include routine maintenance in our schools and spending is prioritised to reflect asset condition and risk. This will be a 2 year programme to allow for better forward planning. The proposed programme is shown at Appendix 6: detailed schemes will be developed following consultation with schools.

Proposed Programme – Policy Provisions

3.22 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.

3.23 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.

3.24 Seven policy provisions have been identified as part of this programme:

(a) £0.6m for **investment in multi–use games areas (MUGAs)** over the next two years to improve outdoor game areas and ballcourts, many of which have fallen into disrepair. An inventory of existing provision will be made together with its condition and a priority list of works will be drawn up. This may include new provision where there is a deficiency. Sponsorship will also be sought. If the scheme is successful, it is hoped to provide a sum of around £0.3m per year in future years.

(b) £2.2m is set aside for the **Education System Re-tender.** The Council is preparing to retender its core education IT system, and the money may be required to cover system implementation costs if a new system supplier is selected.

(c) £1.8m will be available to support potential **Strategic Property Acquisitions** of land and buildings within the city. Such acquisitions are likely to support economic regeneration or enhance the performance of the corporate estate.

(d) £3m is set aside to support **New Ways of Working** as a result of the pandemic. Potential schemes could involve re-purposing buildings for more agile working and proposals will be brought for consideration once they have been determined.

(e) 3.7m is set aside to support further improvements at **Leicester Museum and Art Gallery** with the aim of improving the overall visitor experience through development of facilities, improved visitor flow by opening new routes and the potential to increase gallery space.

(f) A **Programme Contingency** of £3.8m has been set aside for cost pressures arising from construction inflation, or (if not needed for this purpose) for any emerging capital needs such as potential match funding for any new government programmes.

(g) £7.3m has been set aside for **Phase 3 of the Outdoor Market Programme** of improvements to the outdoor market and surrounding public realm. A further detailed report will be prepared on the expected scope of works and detailed costing.

<u>Capital Strategy</u>

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

3.26 The proposed capital strategy is set out at Appendix 7.

<u>Consultation</u>

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

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

<u>4.1 Financial implications</u>

4.1.1 This report is exclusively concerned with financial matters.

4.1.2 There is some proposed prudential borrowing in the programme for replacement of vehicles of £3.4m and replacement grounds maintenance machinery for £0.2m. 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).

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

4.1.4 At the end of 2020/21, the Council set aside £10m to support capital expenditure which facilitated covid recovery, such as rejuvenating the local economy. This programme commits £4.4m, as shown in the table below:

| | **£000** |
|---|---|
| African Caribbean Centre - Ventilation | 252 |
| Festive Decorations – Enhanced Programme | 250 |
| Retail and Shop Front Improvements | 850 |
| New Ways of Working | 3,000 |
| **Total Covid Recovery Funds** | **4,352** |

(Other sums are being committed during 2021/22).

## 4.2 Legal implications

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

Emma Jackman, Head of Law (Commercial, Property & Planning)

## 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 they can help the Council to meet the three aims of the Public Sector Equality Duty.

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

4.3.5 Some of the schemes focus on meeting specific areas of need for a protected characteristic: disabled 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. All schemes should consider the PSED and conducting Equality Impact Assessments where relevant in order to inform the process.

Kalvaran Sandhu, Equalities Manager

4.4 Climate Emergency implications

4.4.1 The city council declared a climate emergency in February 2019 and 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 28,085t$CO_2$e from its buildings and schools in 2020/21, and has a high level of influence in the rest of 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. The report notes the importance of tackling the climate emergency through the capital programme, with many of the projects outlined playing a positive role in reducing carbon emissions in the city.

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

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

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

Aidan Davis, Sustainability Officer

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

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

**5. Background information and other papers:**

**6. Summary of appendices:**

Appendix 1 – Corporate & Unringfenced Capital Resources.

Appendix 2a – Immediate Starts – Estates and Building Services

Appendix 2b – Immediate Starts – Housing General Fund

Appendix 2c – Immediate Starts – Neighbourhood and Environmental Services

Appendix 2d – Immediate Starts – Planning, Development and Transportation

Appendix 2e – Immediate Starts – Tourism, Culture and Inward Investment

Appendix 2f – Immediate Starts – Social Care and Education – Children's Services

Appendix 3 – Policy Provisions.

Appendix 4 – Operational Estate Maintenance Capital Programme

Appendix 5 – Highways Maintenance Capital Programme

Appendix 6 – Children's Capital Improvement Programme

Appendix 7 – Capital Strategy 2022/23.

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

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

**Report Author:** Ben Matthews

**Date:** 8th February, 2022

## Appendix One

## Capital Resources

| | 22/23 | 23/24 | Total |
|---|---|---|---|
| | *{£000}* | *{£000}* | *{£000}* |
| **Resources Brought Forward** | | | |
| Previous years' savings | 12,534 | | **12,534** |
| Levelling Up reserve | 10,400 | | **10,400** |
| **Total One Off Resources** | **22,934** | | **22,934** |
| **Capital Receipts** | | | |
| General Capital Receipts | 5,819 | | **5,819** |
| Council Housing - Right to Buy Receipts | 700 | | **700** |
| **Total Receipts** | **6,519** | **0** | **6,519** |
| **Unringfenced Capital Grant** | | | |
| School Places - Basic Need Grant | 1,563 | | **1,563** |
| Education maintenance | 4,500 | 3,000 | **7,500** |
| Integrated Transport | 2,576 | | **2,576** |
| Transport maintenance | 2,000 | | **2,000** |
| **Total Unringfenced Grant** | **10,639** | **3,000** | **13,639** |
| **TOTAL UNRINGFENCED RESOURCES** | **40,092** | **3,000** | **43,092** |
| **Ringfenced resources** | **12,588** | | **12,588** |
| **TOTAL CAPITAL RESOURCES** | **52,680** | **3,000** | **55,680** |

**Appendix 2a**

## Immediate Starts – Estates and Building Services

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|---|---|---|---|---|---|
| | | | *{£000}* | *{£000}* | *{£000}* |
| **Estates and Building Services** | | | | | |
| African Caribbean Centre | CDN (EBS) | PJ | - | 252 | **252** |
| Changing Places – Disabled Toilet facilities | CDN (EBS) | PJ | 200 | 480 | **680** |
| Malcolm Arcade Refurbishment | CDN (EBS) | PJ | 1,000 | - | **1,000** |
| Feasibility Studies | CDN (EBS) | WP | 400 | - | **400** |
| Operational Estate Maintenance | CDN (EBS) | WP | 3,822 | - | **3,822** |
| **TOTAL** | | | **5,422** | **732** | **6,154** |

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

**Summary of Ringfenced Funding**

| | *{£000}* |
|---|---|
| COVID Recovery Fund Reserve | 252 |
| Changing Places Toilets (CPT) Fund | 480 |
| **TOTAL RINGENCED FUNDING** | **732** |

**Appendix 2b**

## Immediate Starts – Housing General Fund

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|---|---|---|---|---|---|
| | | | *{£000}* | *{£000}* | *{£000}* |
| **Housing General Fund** | | | | | |
| Empty Homes Acquisition Programme | CDN (HGF) | PV | 50 | | **50** |
| Repayable Home Repair Loans | CDN (HGF) | WP | 100 | - | **100** |
| Disabled Facilities Grant | CDN (HGF) | WP | - | 1,861 | **1,861** |
| Fleet Replacement Programme | CDN (HGF) | WP | - | 3,396 | **3,396** |
| **TOTAL** | | | **150** | **5,257** | **5,407** |

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

### Summary of Ringfenced Funding

| | *{£000}* |
|---|---|
| Disabled Facilities Grant | 1,861 |
| Prudential Borrowing | 3,396 |
| **TOTAL RINGENCED FUNDING** | **5,257** |

**Appendix 2c**

## Immediate Starts – Neighbourhood and Environmental Services

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|---|---|---|---|---|---|
| | | | *{£000}* | *{£000}* | *{£000}* |
| **Neighbourhood and Environmental Services** | | | | | |
| Library Self-Access Rollout | CDN (NES) | PJ | - | 592 | **592** |
| Grounds Maintenance Equipment | CDN (NES) | WP | - | 200 | **200** |
| **TOTAL** | | | **0** | **792** | **792** |

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

**Summary of Ringfenced Funding**

| | *{£000}* |
|---|---|
| Transformation Fund (Earmarked Reserve) | 592 |
| Prudential Borrowing | 200 |
| **TOTAL RINGENCED FUNDING** | **792** |

**Appendix 2d**

## Immediate Starts – Planning, Development and Transportation

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|---|---|---|---|---|---|
| | | | *{£000}* | *{£000}* | *{£000}* |
| **Planning, Development and Transportation** | | | | | |
| Connecting Leicester Programme | CDN (PDT) | PJ | 4,000 | - | **4,000** |
| Front Walls Enveloping Scheme | CDN (PDT) | WP | 100 | - | **100** |
| Festive Decorations – Enhanced Programme | CDN (PDT) | WP | - | 250 | **250** |
| Flood Risk Prevention | CDN (PDT) | WP | 300 | - | **300** |
| Local Environmental Works | CDN (PDT) | WP | 400 | - | **400** |
| Strategic Sites development | CDN (PDT) | WP | - | 1,557 | **1,557** |
| Highway Capital Maintenance | CDN (PDT) | WP | 2,152 | - | **2,152** |
| Transport Improvement Works | CDN (PDT) | WP | 2,556 | - | **2,556** |
| **TOTAL** | | | **9,508** | **1,807** | **11,315** |

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

**Summary of Ringfenced Funding**

| | *{£000}* |
|---|---|
| COVID Recovery Fund (Earmarked Reserve) | 250 |
| Future Earmarked Capital Receipts | 1,557 |
| **TOTAL RINGENCED FUNDING** | **1,807** |

**Appendix 2e**

## Immediate Starts – Tourism, Culture and Inward Investment

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|---|---|---|---|---|---|
| | | | *{£000}* | *{£000}* | *{£000}* |
| **Tourism, Culture and Inward Investment** | | | | | |
| Ugandan Asians – 50 Year Anniversary Commemoration | CDN (TCI) | PJ | 150 | 150 | **300** |
| Retail and Shop Front Improvements | CDN (TCI) | WP | - | 850 | **850** |
| **TOTAL** | | | **150** | **1,000** | **1,150** |

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

**Summary of Ringfenced Funding**

| | *{£000}* |
|---|---|
| Other Contributions | 150 |
| COVID Recovery Fund (Earmarked Reserve) | 850 |
| **TOTAL RINGENCED FUNDING** | **1,000** |

**Appendix 2f**

## Immediate Starts – Social Care and Education – Children's Services

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|---|---|---|---|---|---|
| | | | *{£000}* | *{£000}* | *{£000}* |
| **Social Care and Education – Children's Services** | | | | | |
| Children's Homes Refurbishments | SCE (ECS) | PJ | 850 | - | **850** |
| Children's Capital Improvement Programme | SCE (ECS) | WP | 7,508 | - | **7,508** |
| **TOTAL** | | | **8,358** | **0** | **8,358** |

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

**Appendix 3**

## Policy Provisions

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|---|---|---|---|---|---|
| | | | *{£000}* | *{£000}* | *{£000}* |
| **Policy Provisions** | | | | | |
| Investment in multi-use game areas (MUGAs) | CDN (NES) | | 600 | - | 600 |
| Education System Re-tender | SCE (ECS) | | 2,200 | - | 2,200 |
| Strategic Property Acquisitions | CDN (PDT) | | 1,840 | - | 1,840 |
| New Ways of Working | CRS (DCPG) | | - | 3,000 | 3,000 |
| Leicester Museum and Art Gallery (LMAAG) | CDN (TCI) | | 3,738 | - | 3,738 |
| Programme Contingency | All Divisions | | 3,826 | - | 3,826 |
| Outdoor Market phase 3 | CDN (TCI) | | 7,300 | - | 7,300 |
| **TOTAL** | | | **19,504** | **3,000** | **22,504** |
| **GRAND TOTAL – ALL SCHEMES** | | | **43,092** | **12,588** | **55,680** |

;

**Summary of Ringfenced Funding**

| | *{£000}* |
|---|---|
| COVID Recovery Fund (Earmarked Reserve) | 3,000 |
| **TOTAL RINGENCED FUNDING** | **3,000** |

**Appendix 4**

## Operational Estate Maintenance Capital Programme

| Description | Amount £000's |
|---|---|
| Building Works - Essential maintenance at the Council's operational and investment buildings and parks. Works include replacing life expired pool liner with tiles, changing room refurbishments, maintenance work at the Haymarket Centre, and stabilisation and repair works required at the Council's parks. | 2,177 |
| Compliance Works - Generally consisting of surveys to gain condition data across the estate and works arising from the legionella risk assessments. | 70 |
| Electrical Works - Replacement fuse boards, fire alarms and mains distribution panels. | 155 |
| Heritage Works - Full condition survey and repairs at Glenfield Tunnel | 60 |
| Mechanical Works - Replacement anti flood valve and ventilation works required at the Council's leisure centres. | 70 |
| Security Works - Alarm system replacements and provision for other security works. | 410 |
| Sustainability Works - Energy monitoring systems across the Council's estate | 120 |
| Town Hall - external works (including repairing balcony) and interior works (including balustrade reseating) | 400 |
| Emergency Provision – Provision for emergency reactive works that could be required across the Council's estate | 360 |
| **TOTAL** | **3,822** |

**Appendix 5**

## Proposed Highways Maintenance Capital Programme

| Description | Amount £000's |
|---|---|
| Major Public Realm & Transport Improvement Schemes - Public realm and transport maintenance works associated with transforming cities and active travel fund | 100 |
| Principal Roads – Uppingham Road, Thurmaston Lane/Victoria Road East Roundabout | 450 |
| Classified Non-Principal Roads – Saffron Lane continuation (The Fairway to Pork Pie Roundabout), Barkby Road, Swain Street | 630 |
| Unclassified Neighbourhood Roads – Scraptoft Lane (Bowhill Grove to Thurncourt Road) | 200 |
| LEAN Carriageway & Pothole Repairs – Target large carriageway pothole repairs to provide longer term repairs in readiness for surface dressing. | 130 |
| Footway Relays and Reconstructions – Focus on local neighbourhood priorities; Narborough Road continuation and Melton Road Cycleway. | 215 |
| Strategic Bridge Deck Maintenance & Replacement Works Friday Street bridge | 135 |
| Bridge Improvement & Maintenance Works – Parapet replacements, structural maintenance works and technical assessment review project. | 200 |
| Traffic Signal Installations Renewals and Lighting Column Replacements – Signalling Upgrades, Lamp Column Replacements, Illuminated Bollards and Sign Replacements. | 240 |
| DfT / Whole Government Accounting Lifecycle Asset Management Development Project – Strategic asset management development, data analysis, lifecycle planning and reporting in support of DfT Challenge Funding bidding linked to asset management performance. | 300 |
| **TOTAL *** | **2,600** |

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

**Appendix 6**

## Children's Capital Improvement Programme

| Description | Amount £000's |
|---|---|
| Building Works - Typical works include roof replacements, sports hall floor replacements and window replacements. | 3,823 |
| Compliance Works - This work stream will mainly be used to ensure the playing fields and pavilions used by schools are fully compliant with current regulations and to conduct health and safety works. | 70 |
| Mechanical Works - schemes being undertaken within the programme typically consist of re-piping heating systems and end of life ventilation replacements | 685 |
| Safeguarding Works - building works to ensure sites are secure. | 750 |
| Fire Risk Reduction Works - this is to continue with priority works identified within the fire risk assessments for schools. | 780 |
| Legionella Risk Reduction Works - Schemes typically include removal of cold water storage tanks to reduce the risk of legionella and other works that arise from the risk assessments carried out. | 140 |
| Asbestos Risk Reduction Works - Schemes consist of asbestos removal identified within the management surveys. | 240 |
| Sustainability Works - Replacement of the system that monitors energy usage, to allow for carbon reduction. | 120 |
| Individual Access Needs Works - This is a provision to allow works to be carried out to enable children with additional needs to access mainstream school. | 420 |
| Emergency Provision - This is provision within the programme to allow for emergency unforeseen works to be carried out. | 480 |
| **TOTAL** | **7,508** |

**Appendix 7**

## Capital Strategy 2022/23

1. **Introduction**

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

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

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

2. **Capital Expenditure**

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

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

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

2.2 The capital programme is split into:-

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

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

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

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

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

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

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

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

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

2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2022/23. It therefore, includes latest estimates of expenditure from the 2021/22 programme that will be rolled forward.

| **Department / Division** | **2021/22 Estimate £m** | **2022/23 & Beyond Estimate £m** |
|---|---|---|
| All Departments (Programme Contingency) | 0 | 3.8 |
| Corporate Resources | 0.1 | 3.1 |
| Smart Cities | 0.2 | - |
| Planning, Development & Transportation | 45.9 | 72.5 |
| Tourism, Culture & Inward Investment | 11.1 | 33.3 |
| Neighbourhood & Environmental Services | 2.5 | 4.3 |
| Estates & Building Services | 35.7 | 8.2 |
| Adult Social Care | 1.3 | 8.0 |
| Children's Services | 13.9 | 33.4 |
| Public Health | 1.0 | 0.1 |
| Housing General Fund | 4.9 | 9.5 |
| **Total General Fund** | **116.6** | **176.2** |
| Housing Revenue Account | 103.1 | 125.1 |
| **Total** | **219.7** | **301.3** |

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

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

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

## 3. Financing Capital Expenditure

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

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

(b) Where spending can be justified with reference to an investment appraisal (this is further described in the separate investment strategy).

This also includes social housing, where repayment costs can be met from rents;

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

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

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

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

| | **2021/22 Estimate £m** | **2022/23** | **2023/24** | **2024/25** |
|---|---|---|---|---|
| HRA | 269 | 283 | 295 | 308 |
| General Fund | 272 | 270 | 258 | 252 |

*(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 he/she believes the standard charge to be insufficient, or in order to reduce the future debt burden to the authority.

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

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

| | **2021/22 %** | **2022/23 %** | **2023/24 %** |
|---|---|---|---|
| General Fund | 2.2 | 1.9 | 1.8 |
| HRA | 11.3 | 11.4 | 11.8 |

## 5. **<u>Commercial Activity</u>**

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

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

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

(c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example might be a joint investment in a solar farm, in collaboration with other local authorities; or investment in a consortium serving local government as a whole. In these cases, the location of the asset is not necessarily relevant.

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

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

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

## 6. **Knowledge and Skills**

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

*********************** 
MINUTE EXTRACT 
***********************

Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 10 FEBRUARY 2022 at 5:30 pm

P R E S E N T:

Councillor Cassidy (Chair)

Councillor Gee
Councillor Halford
Councillor Joel
Councillor Joshi
Councillor Kitterick
Councillor Porter
Councillor Thalukdar
Councillor Westley

In Attendance

| | |
|---|---|
| Sir Peter Soulsby | City Mayor |
| Councillor Piara Singh Clair | Deputy City Mayor |
| Councillor Elly Cutkelvin | Assistant City Mayor |

* * *   * *   * * *

**72. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**73. DECLARATIONS OF INTEREST**

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

Councillor Westley declared an interest in agenda items to be discussed that family members were council tenants.

Councillor Halford declared an interest in agenda items to be discussed that family members were council tenants.

Councillor Joshi declared an interest in the agenda items to be discussed that his wife worked for the Reablement Team, Leicester City Council.

Councillor Thalukdar declared an interest in agenda items to be discussed that a family member was a council tenant.

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

**83. DRAFT CAPITAL PROGRAMME**

The Deputy Director of Finance submitted the draft Capital Programme for 2022/23, which would be considered at the meeting of Council on 23 February 2022. The draft minute extracts detailing the respective Scrutiny Commissions' discussion on the draft Capital Programme report were included.

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

The City Mayor introduced the report, and noted that it was in sharp contrast to the Revenue Budget which had been slashed and affected the services that could be provided to people. He added heavy emphasis had been placed on the Capital Programme which looked at things that would make a difference to individuals, to households and to neighbourhoods, hence the strong commitment to invest in schools, roads, and neighbourhoods, and to ensure the Council was doing all it could to use the budget constructively for the benefits of the community across the city.

The Chair noted the position to report to Full Council and endorsed the recommendations in the report. He thanked the City Mayor and Officers for preparing the programme, which was still progressive in spite of recent times. This was seconded by Councillor Westley, and agreed by Members of the Overview Select Committee. Councillor Porter asked his is decision against the proposed recommendations be noted.

AGREED:

1. That the report and comments from Members of the Overview Select Committee, and comments from Scrutiny Commissions and be noted and passed to the meeting of Council on 23 February 2022.

**4.c Housing Revenue Account Budget (including Capital Programme) 2022/23**

Council is asked to:-

a) Consider the comments and Recommendations of the Assistant City Mayor – Education and Housing’s for the Housing Revenue Budget 2022/23 to be published prior to the Budget Meeting and will be attached to the Council Script; and

b) Consider the views of the Overview Select Committee meeting held on 10 February 2022 (Attached at Appendix I in the report).

The Council is recommended to:-

a) Approve the recommendations for the Housing Revenue Account Budget (including Capital Programme) for 2022/23 in paragraph 3 of the report at Appendix 4 (C -1), including the Assistant City Mayor Education and Housing’s recommendations, which will be published ahead of the Budget Meeting and will be attached to the Council Script.

Attached in the report is a minute extract from the Housing Scrutiny Commission on 10 January 2022 (Appendix H in the report)

Appendix 4-C1

Leicester City Council

# Housing Revenue Account Budget (including Capital Programme) 2022/23

**Full Council: 23rd February 2022**

*Assistant Mayor for Housing: Cllr. Elly Cutkelvin*

Lead director: Chris Burgin

## Useful information

■ Ward(s) affected: All

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

## 1. Purpose

1.1 The purpose of this report is to describe the City Mayor's draft budget for 2022/23, for consideration by the Council on the 23rd February 2022.

## 2. Summary

2.1 The financial landscape of the four-year period from 2016 to 2020 was dominated by the government requirement that rents be reduced by 1% each year. Despite this pressure, the HRA delivered balanced budgets. For the 5 years from 2020 rents are permitted to increase by up to CPI+1%. Whilst this relaxation will help to sustain a financially viable HRA and support investment in the housing stock, the continuing impact of Right to Buy (RTB) sales on rental income persists.

2.2 Significant investment is being undertaken to replace properties lost through RTB. This is being done through investment in energy efficient new build housing and by acquiring properties on the open market. This helps to sustain the future finances of the HRA, and further investment is proposed within this report. In addition to the investment in replacing properties there is a comprehensive capital maintenance programme in place to ensure that homes are maintained, and this is supplemented with investment into the wider estate. The proposals in this report support the continuation of this approach.

2.3 This report recommends that the budget for 2022/23 is set as a balanced budget, with a core rent increase of 4.1%.

## 3. Recommendations

3.1 Full Council is recommended to:

1. Note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;
2. Note the comments from the Tenants' and Leaseholders' Forum at Appendix G, the Housing Scrutiny Commission at Appendix H, and the Overview Select Committee at Appendix I;
3. Approve the Housing Revenue and Capital budgets for 2022/23;
4. Approve rent and service charge changes for 2022/23 as follows:
   - 4.1% increase to core rent;
   - 4.1% increase to garage rent;
   - 2.5% increase to Hostel rent and service charges;
   - 7.29% increase in District Heating charges;
   - 2.0% increase to all other service charges;
5. Note the equality impact assessment of the proposed revenue and capital reductions required to present a balanced budget, at Appendix J;
6. 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;
7. Note that the capital strategy in that report applies also to the HRA;

8. Agree that the delegations and determinations applicable to the main capital programme (which is also on your agenda) shall also apply to the capital programme in this report.

## 4. Report

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

4.2 The HRA operates in a self-financing environment. Spending priorities are made in the context of needing to achieve the right balance between investing in, maintaining and improving the housing stock, providing landlord services to tenants, building new homes and supporting and repaying housing debt of £238m. The HRA budget is set by modelling expected levels of income and expenditure.

### 4.3 Revenue Cost Pressures

4.3.1 The primary external pressure on the HRA continues to be reduced rental income arising from the loss of stock through RTB sales, as well as inflation on staffing costs and materials. Table 1, below, summarises the known pressures and budget growth requirements within the HRA:

| **Table 1: Revenue Cost Pressures** | **2022/23 £000** |
|---|---|
| RTB Sales | 1,189 |
| Inflation (including staffing costs) | 1,303 |
| Interest and Debt | 516 |
| Energy Costs | 551 |
| Capital Expenditure Funded from Revenue | 1,250 |
| Void Costs | 829 |
| Business Systems | 550 |
| **Total Cost Pressures** | **6,188** |

4.3.2 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 for Leicester it is now £84,600 compared with £24,000 in 2012. Although sales reduced during the height of Covid restrictions, a resurgence in interest from tenants is now being seen. Over the last 5 years nearly 1,900 properties have been lost from the HRA, with a consequent loss of rental income. In addition, the economies of scale that come from managing a large portfolio are gradually being eroded. It is forecast that rental income will be nearly £1.2m lower in 2022/23 as a result of 350 Right to Buy sales.

4.3.3 Inflation

Employee costs are forecast to rise by just under £1m in 2022/23, largely as a result of an assumed 2.5% pay increase alongside known increases to pension contributions and the 1.25% increase in employers' National Insurance (pending the introduction of the Health & Social Care Levy). Some of the most significant inflationary pressures are being experienced in building materials, and the HRA is likely to suffer from increased costs during 2022/23.

4.3.4 Interest & Debt

HRA finances are improved through the building and acquisition of properties for affordable rent, and this has expanded significantly in recent years. Borrowing is used to part-finance these properties, and a proportion of this debt is repaid each year. The growth in the number of affordable properties means that more debt is now being repaid each year. This is more than offset by the additional £2.2m of income from these properties, highlighted at section 4.5.2.

4.3.5 Energy Costs

Although the Council purchases energy in advance, and has been able to secure favourable prices, it is predicted that costs will rise by 20% for 2022/23, presenting a pressure of over £0.5m. In part, this is a reflection of advantageous prices that have been secured for 2021/22.

4.3.6 Capital Expenditure Funded from Revenue

The default source of funding for the maintenance aspects of the HRA capital programme (i.e. excluding affordable housing) is from revenue resources, which in 2021/22 amounted to £16.2m. In 2022/23 the figure increases by £1.25m to £17.46m, drawing on additional resources and representing a revenue pressure. These schemes are detailed in section 4.6, below.

4.3.7 Void Costs

There will always be periods of time during which properties are not occupied and rental income is lost. Historically, this has been dominated by the void period between the end of one tenancy and the start of the next. With the purchasing of properties from the open market it can take time to complete the required refurbishment works, especially for those properties that have been empty for some time or bought as part of a portfolio. This means we are liable to pay Council Tax whilst void. These combined lead to a £0.8m cost pressure.

4.3.8 Business Systems

In 2016 a new system was introduced for holding and managing Housing information and was paid from the capital budget. The system is now fully embedded and therefore the staff and continued development is a revenue cost going forward.

## 4.4 Rents & Service Charges

4.4.1 Following four years of rent reductions from 2016, which reduced rental income by £3.1m p.a., 2022/23 is the third of 5 years in which rents may be increased by up to CPI+1%. CPI as at the end of September 2021 was 3.1%, meaning that rental increases of up to 4.1% are permitted. The recommendation of this report is to apply a rental increase of 4.1%, based on the pressures detailed in this report, and the need to maintain a programme of capital maintenance.

4.4.2 Whilst garage rents are set separately to dwelling rents it is proposed to increase these in line with the core rental increase of 4.1% (September CPI +1%).

4.4.3 Service charges should be set with the intention of recovering the full cost of providing the service. Currently, tenants and leaseholders are benefitting from charges which are set below the cost of delivery. Whilst addressing this disparity will be the subject of a future report, it is proposed that for 2022/23 an increase in service charges of 2% be applied.

4.4.4 Approximately 2,400 tenants and 800 leaseholders are supplied heating and hot water through the District Heating scheme. Costs for these tenants are charged based on the underlying cost of fuel, averaged on a 3-year basis. Through advanced purchasing of gas and electricity tenants on the scheme benefit from buying when the cost is low, and to an extent, are insulated from short-term fluctuations in prices. This advanced purchasing has meant that increases in costs for the scheme, whilst still significant, are somewhat lower than that being experienced in the market more generally. Wholesale gas prices from January to October 2021 rose by 250% nationally. It is proposed that the prices under the district heating scheme be increased by 7.29%.

4.4.5 Hostel rents and service charges were re-calculated for 2021/22 in order to ensure that expenditure is fully re-couped. Costs for the service are expected to increase by 2.5% in 2022/23 so an equivalent increase in rents and service charges is proposed.

## 4.5 **Revenue Savings**

4.5.1 The proposals within this report meet the identified budget pressure of £6.188m in 2022/23. The proposed changes to rent and service charges at section 4.4 would result in additional income of £2.9m. Table 2, below, summarises the additional income and proposed savings to deliver a balanced budget:

| **Table 2: Additional Income & Reductions in Expenditure** | **2022/23 £000** |
|---|---:|
| Dwelling Rent & Service Charges | (2,934) |
| Rent from Supply of New Housing | (2,161) |
| Running Costs (incl. Buildings) | (480) |
| Staffing | (400) |
| External Contractors | (213) |
| **Total Savings** | **(6,188)** |

4.5.2 <u>Rental income on New Build and Acquired Properties</u>
The HRA has embarked on an extensive programme of acquiring properties on the open market to increase the number of homes available at an affordable rent. In addition, a programme of building new properties on Council-owned land is underway. Additional rental income will accrue of just under £2.2m in 2022/23 as a consequence of this.

4.5.3 <u>Running Costs (incl. Buildings)</u>
Partly as a consequence of new ways of working, savings have been identified on buildings which will not be required going forward. The profile of team running costs has also changed over time, enabling the release of budget savings. Further savings will be realised from a reduction in the need for vehicles.

4.5.4 <u>Staffing</u>
A reduction in staffing across the Repairs & Maintenance and Gas teams will be achieved as a result of there being fewer properties held within the HRA, saving £330k. A further £70k will be achieved through rationalisation of the Transformation Team, which provides project support and coordination.

4.5.5 External Contractors
External contractors are used in a number of areas where work is demand-led, and underspends in 2021/22 indicate that budget of £213k can be released as savings. The largest aspect of this in relation to structural repairs (such as underpinning when foundations fail or the insertion of steel lintels above windows).

4.5.6 In summary, the proposals outlined in this report for 2022/23 will meet the amount required to balance the revenue budget without drawing upon reserves. Appendix A shows a high-level breakdown of the proposed HRA revenue budgets for the year.

## 4.6 Capital Expenditure

4.6.1 The 2021/22 capital programme (excluding budgets slipped from previous years) is £87.8m, with £70m of this relating to the Affordable Housing programme of building and buying properties.

4.6.2 Appendix E outlines the way in which capital works are identified as being required in council dwellings. Appendix F provides wider details of the priorities which direct HRA expenditure, including achievements throughout 2021/22.

4.6.3 Appendix B shows the proposed capital programme for 2022/23. Some schemes fall out of the programme, including one-off retro-fitting feasibility work and the Bridlespur Way refurbishment, and Fencing replacement. The following changes are proposed:

4.6.4 Kitchens & Bathrooms
During 2021/22 up to 600 kitchens and bathrooms will have been installed, despite contractor issues having been experienced. Contractor availability is expected to be restricted into 2022/23 with no more than £3m expected to be spent during the year, a reduction on the £3.6m current annual budget. This will enable 825 kitchens and bathrooms to be installed.

4.6.5 Boilers
Most of the non-standard boilers have now been replaced, meaning that boilers are lasting longer and being repaired more easily. This results in a reduction in the capital budget requirement from £3.4m to £2.8m. 650 boilers will have been replaced in 2021/22, and the proposed budget for 2022/23 will be sufficient for a further 900.

4.6.6 Windows & Doors
Whilst the programme of works for replacement of windows and doors is now complete, it has been identified that significant work will be required in future years beyond 2022/23. It is necessary to set aside resources now to ensure adequate provision.

4.6.7 Door Entry
The upgrading of door entry systems has been suspended pending a review of more efficient cloud-based solutions. A budget for this in 2022/23 will therefore not be required.

4.6.8 District Heating Maintenance
Maintenance work is progressing well, such that this budget can be reduced by £75k in 2022/23.

4.6.9 Communal & Environmental Works

The continuation of the £750k budget, distributed across the city, will enable works such as parking improvements, resurfacing courtyards, and improving the security of estates by the installation of gates.

4.6.10 Public Realm Works

A 3-year public realm improvement programme will continue into 2022/23, totalling £5m of investment in the St Matthews and St Peters areas of the city.

4.6.11 Adaptations for Incoming Tenants

Additional budget was added into the capital programme for 2021/22 to adapt properties and make them suitable for people on the Council housing waiting list. This work will now take place in 2022/23.

4.6.12 Fire Risk Works

Slippage has been reported against this budget throughout the year, linked to a national delay in the manufacturers of fire doors gaining accredited approval for their use from government. The slipped budget from 2021/22 will be sufficient for 2022/23, with no additional budget requirement. By the end of 2021/22, sprinkler systems will have been installed in 3 of the 5 high storey tower blocks, with the remaining 2 blocks scheduled in.

4.6.13 Property Conversions and Extensions

£500k was added to the 20/21 programme for use in 2020/21 and 2021/22 to help address overcrowding in properties. A further £250k will be required in 2022/23 to continue the work on extending/converting properties.

4.6.14 Affordable Housing – Acquisitions & New Build

In November 2019 Full Council approved the addition of £70m for the purchase of properties and the extension of the Council's new-build programme; the 2021/22 budget increased this to £100m. Subject to the availability of suitable property and the speed of the new build programme, the expectation is that this budget will be fully spent by the end of March 2022. By the end of the year this will have helped secure approximately 1,250 additional properties in the city.

An addition of £100m will enable the momentum to be maintained, providing funding for, amongst others, the phase 2 sites at Saffron Lane and Lanesborough Road, and Stocking Farm. The amount being added assumes a level of future RTB sales, and receipts flowing from them. Should fewer units be lost to RTB sales then the scope of the programme will need to be managed accordingly, to ensure that RTB receipts continue to finance 40% of the costs.

The Housing building programme has delivered new homes that have improved energy efficiency and this year work commenced on our most highly energy efficient council homes. These homes will have EPC energy rating of A, will be much better for the climate and more efficient for those living in them.

4.6.15 Dawn Centre Reconfiguration

The Dawn Centre provides accommodation-based support for single homeless households. It currently has 44 self-contained rooms, which could be increased by 8 through £450k of work, which includes a reconfigured and improved reception. Increasing the capacity of the centre will have a positive impact in reducing expenditure on bed and breakfast accommodation.

4.6.16 Climate Change and Decarbonisation

The current capital programme includes an investment of £1.8m in Green Homes, supporting external wall insulation in hundreds of council properties across the city. Underspends on the capital programme during 2021/22 have also enabled the Council to bid into government grants, leading a consortium bid to the Social Housing Decarbonisation Fund. In particular, this facilitates additional insulation works and air source heat pumps which, as well as helping to address the climate emergency, also saves tenants money on their energy bills. £900k of HRA resource was identified for this purpose. Moving forward, capital underspends cannot be relied upon to finance such bids, and there is a need to ensure funds are set aside in advance. £900k is included within the proposed 2022/23 capital budget for this purpose.

4.6.17 St Matthews Concrete Works

Survey work is currently being undertaken on the concrete across the St Matthews Estate, including balconies and walkways. Until the survey work is complete it isn't possible to identify the scale or cost of the work required, but provision has been made to commence the works in 2022/23.

4.6.18 The financing of the proposed capital programme is shown in the table below. This results in an increase in funding from revenue of £1.25m in 2022/23, reflecting the figure at paragraph 4.3.6.

| **Table 3: Financing of HRA Capital Programme** | **2021/22 £000** | **2022/23 £000** |
|---|---:|---:|
| Funded from Revenue | 16,210 | 17,460 |
| Funded from Reserves | 1,600 | 0 |
| Funded from Right to Buy Receipts (incl. Allowable Debt) | 29,000 | 50,000 |
| Funded from Borrowing | 41,000 | 50,000 |
| | **87,810** | **117,460** |

4.6.19 Authority for amendments to the HRA capital programme is in line with that for the corporate programme as set out in the Capital Programme Report to Council on 23rd February 2022.

## 4.7 HRA Reserves

4.7.1 Drawing down on reserves in an attempt to avoid the need to make savings is only viable as a short-term approach to meeting any budget shortfall. Reserves are better utilised in meeting one-off costs, to support the delivery of long-term efficiencies and providing cover for major repairs. In keeping with this approach, no reserves are proposed to be used to balance the budget for 2022/23.

4.7.2 Projections of the HRA reserve position at the end of 2022/23 indicate that there will be only limited unallocated reserves, in the region of £4.6m. Given the long-term financial risks facing the HRA, it is considered prudent not to make use of these funds at the current time.

| | |
|---|---:|
| Forecast Opening Reserves Balance as at 1st April 2022 | £33.1m |
| Amount held to cover minimum working balances | £5.0m |
| Amount held to finance prior years' capital approvals (including policy provisions) | £10.4m |
| Earmarked for future anticipated calls on reserves | £13.1m |
| **Forecast Unallocated Reserves Balance as at 31st March 2023** | **£4.6m** |

**5. Financial, legal and other implications**

5.1 Financial implications

5.1.1 This report is exclusively concerned with financial issues.

Colin Sharpe, Deputy Director 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 34% of Leicester's overall carbon emissions. Following the Council's declaration of a climate emergency in February 2019 and launch of the Council's Climate Emergency Strategy & Action Plan, addressing these emissions is vital to meeting our ambition to make Leicester a carbon neutral city, particularly through the Council's own housing, where it has the highest level of influence and control.

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

5.3.3 This is reflected within the report, including in section '4.6.16 Decarbonisation', which provides details of investment in energy efficiency measures and bids into government grants including the Social Housing Decarbonisation Fund to deliver further works. As noted in the report the Council is also delivering new EPC A-rated low-carbon housing through its building programme. Appendix F provides further details as part of 'Priority three – Making Leicester a low carbon city', including a programme of staff Carbon Literacy training.

Aidan Davis, Sustainability Officer, Ext 37 2284

**6. Background information and other papers**:

None

**7. Summary of appendices:**

Appendix A: Proposed HRA Revenue Budget 2022/23

Appendix B: Proposed HRA Capital Programme 2022/23

Appendix C: Other Service Charges and Payments 2022/23

Appendix D: Leicester Average Rents Comparison

Appendix E: Planning Capital Works in Council Dwellings

Appendix F: How Priorities Are Assessed for HRA Expenditure

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

Appendix H: Minutes of the Housing Scrutiny Commission

Appendix I: Minutes of the Overview Select Committee

Appendix J: Equality Impact Assessment (EIA)

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

No

**9. Is this a "key decision"?**

No

**Appendix A**

# Proposed HRA Revenue Budget 2022/23

| | 2021/22 Current Budget £000 | - 2022/23 - 2022/23 Budget Pressures £000 | 2022/23 Savings & Reductions £000 | Proposed 2022/23 Budget £000 |
|---|---|---|---|---|
| **Income** | | | | |
| Dwelling & Non-Dwelling Rent | (74,851) | 1,662 | (5,027) | (78,216) |
| Service Charges | (5,798) | 0 | (168) | (5,966) |
| **Total Income** | **(80,649)** | **1,662** | **(5,195)** | **(84,182)** |
| | | | | |
| **Expenditure** | | | | |
| Management & Landlord Services | 20,311 | 1,714 | (187) | 21,838 |
| Repairs & Maintenance | 25,253 | 1,005 | (806) | 25,452 |
| Interest on Borrowing | 8,870 | 516 | 0 | 9,386 |
| Charges for Support Services | 4,221 | 40 | 0 | 4,261 |
| Contribution to GF Services | 5,784 | 1 | 0 | 5,785 |
| | **64,439** | **3,276** | **(993)** | **66,722** |
| | | | | |
| **Capital Funded From Revenue** | **16,210** | **1,250** | **0** | **17,460** |
| | | | | |
| **(Surplus) / Deficit Before Reserves** | **0** | **6,188** | **(6,188)** | **0** |
| | | | | |
| Funding From Reserves | 0 | 0 | 0 | 0 |
| Contributions To Reserves | 0 | 0 | 0 | 0 |
| | | | | |
| **(Surplus) / Deficit** | **0** | | | **0** |

**Appendix B**

# HRA Capital Programme 2022/23

The table below shows the 2021/22 capital programme as at October 2021 (excluding budgets slipped from previous years' programmes), and the proposed programme for 2022/23. All of the schemes listed for 2022/23 are immediate starts.

| | 2021/22 Capital Programme £000 | 2022/23 Capital Programme Additions £000 |
|---|---|---|
| Kitchens & Bathrooms (para 4.6.4) | 3,600 | 3,000 |
| Boilers (para 4.6.5) | 3,425 | 2,800 |
| Re-wiring | 1,760 | 1,760 |
| Re-roofing | 900 | 900 |
| Soffits & Facia | 350 | 350 |
| Windows and Doors (para 4.6.6) | 150 | 1,000 |
| Door Entry (para 4.6.7) | 150 | 0 |
| District Heating Maintenance (para 4.6.8) | 725 | 650 |
| Communal Improvements & Environmental Works (para 4.6.9) | 750 | 750 |
| Public Realm Works (para 4.6.10) | 1,900 | 1,900 |
| Disabled Adaptations | 900 | 900 |
| Adaptations for Incoming Tenants (para 4.6.11) | 300 | 0 |
| Fire Risk Works (para 4.6.12) | 850 | 0 |
| Safety Works including Targeted Alarms | 300 | 300 |
| Loft Insulation | 100 | 100 |
| Waylighting | 150 | 150 |
| Sheltered Housing Improvements (ASC) | 100 | 100 |
| Concrete Paths Renewal | 100 | 100 |
| Property Conversions & Extensions (para 4.6.13) | 0 | 250 |
| Affordable Housing - Acquisitions & New Build (para 4.6.14) | 70,000 | 100,000 |
| Business Systems | 550 | 0 |
| Fencing Replacement | 200 | 0 |
| Bridlespur Way Refurbishment | 300 | 0 |
| Dawn Centre Reconfiguration (para 4.6.15) | 0 | 450 |
| Climate Change and Decarbonisation (para 4.6.16) | 250 | 900 |
| St Matthews Concrete Estate Work (para 4.6.17) | 0 | 1,100 |
| **Total Capital Programme** | **87,810** | **117,460** |

**Appendix C**

# Other Service Charges and Payments

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

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

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

**Appendix D**

## Average Rents Comparison

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

<table>
<tr><th>Property Type</th><th>HRA 2021/22</th><th>Formula Rent 2021/22</th><th>Housing Assoc. 2019/20</th><th>Private Sector (LHA rate) 2021/22</th><th>Private Sector (City Wide) 2019/20</th></tr>
<tr><td>Room only</td><td>-</td><td>-</td><td>-</td><td>£78.00</td><td>£91.38</td></tr>
<tr><td>Bedsit (studio)</td><td>£57.64</td><td>£65.41</td><td>£58.06</td><td>-</td><td>£96.69</td></tr>
<tr><td>1 bed</td><td>£64.83</td><td>£69.83</td><td>£68.79</td><td>£103.56</td><td>£121.15</td></tr>
<tr><td>2 bed</td><td>£76.46</td><td>£80.47</td><td>£81.15</td><td>£130.03</td><td>£150.46</td></tr>
<tr><td>3 bed</td><td>£85.22</td><td>£89.40</td><td>£88.59</td><td>£155.34</td><td>£167.08</td></tr>
<tr><td>4 bed</td><td>£97.51</td><td>£101.10</td><td>£105.29</td><td rowspan="3">£205.97</td><td rowspan="3">£246.69</td></tr>
<tr><td>5 bed</td><td>£104.21</td><td>£109.21</td><td>£109.78</td></tr>
<tr><td>6 bed</td><td>£118.17</td><td>£115.44</td><td>£122.95</td></tr>
</table>

**Appendix E**

## Planning Capital Works in Council Dwellings

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

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

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

The proposed capital budget for 2022/23 is not purely based on life cycle and condition survey data; major elements are pre-inspected before they are added to the programme and the repairs history for the property is checked. For example, all roofs are pre-inspected before the order is sent to the contractor. Likewise, all electrical installations are tested at 30 years and a decision is made whether to carry out a full rewire or part upgrade of the circuits. Properties are not added to the kitchen programme if they have had major repair work carried out in the previous 5 years.

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

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

# How Priorities are Assessed for HRA Expenditure

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

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

This appendix sets out how we are meeting these priorities and plans for investment in our 19,984 council homes and their neighbourhoods.

## Priority one – Providing Decent Homes

Just under 1 in 7 homes in Leicester is a council house, flat, maisonette or bungalow. 13.6% of all homes in the city are council homes. It is crucially important that we look after these assets, not just for current tenants, but for those who will live in them for many years to come. When we plan the Housing Capital Programme, we must consider what investment will be needed over at least the next 40 years, not just the next three or four years. We must ensure we do not let the programmes for essential items with long life spans fall behind, for example roofs, boilers, re-wiring, kitchens and bathrooms.

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

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

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

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

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

The table below shows the key Capital Programme work being carried out during 2021/22 and our proposals for 2022/23.

| Programmed element | Achievements and proposals |
|---|---|
| Kitchens and bathroom | We expect to have installed 600 kitchens / bathrooms in 2021 / 22. During 2022 / 2023 we are expecting to install a further 825. As at the 1st April 2021 78% of all council properties have had either a Leicester Standard kitchen or bathroom. |
| Rewiring | We expect to have rewired 575 homes in 2021/ 22 and a further 550 during 2022 / 23. |
| Central heating boilers | Boilers are replaced every 15 years based on condition data from the annual gas service. We expect to have replaced 650 boilers in 2021/22 and a further 900 in 2022/23. |
| Roofing and chimneys | We expect to have installed 136 new roofs in 2021 / 22 and a further 140 in 2022 / 23. |
| Central heating systems | We have 124 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 45 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, fascias and guttering | By replacing these items with UPVC, it will help to reduce long term maintenance costs. During 2021 / 22, we anticipate installing UPVC soffits, fascias, gutters and cladding to 224 properties and a further 200 properties in 2022 / 23. |
| 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. In 2021 / 22, we expect to complete work on 658 properties and a further 650 in 2022 / 23. 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 |

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

From time to time we carry out major refurbishment projects. Our current projects include the replacement of the lift at St Leonards Court and the installation of second one, carrying out a full refurbishment of a block of flats called The Leys and work has also commenced on the demolition of Goscote House this year. Fire safety is of paramount importance to us as a landlord. We have agreed to fit sprinkler systems at our 5 high story blocks. Work installing sprinklers at Maxwell House has been completed and work on the 4 other blocks has been programmed in. We are also investigating options to improve our IT asset management and fire safety systems.

It is crucial we continue to repair and maintain homes. During 2019/20, 88,072 repairs were completed, however, the number of completed repairs for 2020/21 was significantly reduced to 37,800, as a result of the operational restrictions placed upon us by the Covid 19 pandemic. For a large part of that year we were providing an emergency service only. As we now return to business as usual, work has started on the backlog of non-urgent repairs that have built up over the previous year.

Work is taking place to reduce the length of time homes are vacant to ensure that new tenants are rehoused into suitable accommodation as quickly as possible and loss of income is minimised. During 2019 / 20 the average time to re-let a routine void property was 64.1 days. Due to Covid 19 repair work on vacant properties was restricted for a period of time, which meant the average re-let time increased to 114.7 days. However, we expect this average to fall by the end of 2021 / 22.

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

Key to the delivery of all our services in our neighbourhoods is our income collection. Despite the significant challenges of 2020 / 21 the Income Management Team have worked hard to support tenants in paying their rent, ensuring arrears reduced from £2,036m in 2019 / 20 to £1,799m in 2020 / 21, enabling the division to continue to deliver high quality services.

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

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

In 2021 / 22 environmental and communal works budget 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 include:

- Improvements to parking areas on Tudor Road, such as installing, fencing, gates and improved security
- Installation of security gates and intercom systems in Dupont Gardens
- Painting internal communal areas of flats in the Abbey ward and Morton estate
- Improvement to bin storage areas on Bridlespur Ways and Bluegates Road
- Creation of additional parking spaces on Scalpay Close, Thornholme Close, Forbes Close, Stornaway Road
- Removal of fly tipping in the Beaumont Leys ward and Thurncourt Road
- Joint flood prevention work with Highways on Donaldson Road
- Ground maintenance improves to Ambassador Road, St Marks, Belgrave, Rushey Mead and Kerrial Gardens
- Painting yellow lines and improved road signage to alleviate parking issues in St Andrews
- Fencing improvements to Narborough Road
- Gating off internal drying areas on Blackmore Drive to improve fire safety

A total of £5m is being invested in a 5-year Public Realm Improvement Programme, primarily in the St Matthews and St Peters areas of the city.

The Leicester to Work scheme carries out painting, clearing of alleyways, removal of graffiti and other works to improve the look of the local environment.

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

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

We respond vigorously to reports of anti-social behaviour and have CCTV on many parts of our estates. We also offer security packages to tenants who are victims of anti-social behaviour, such as secure letter boxes and alarms, to help them feel safe in their homes whilst reports are investigated. In 2020 / 21 we received 1,244 reports of anti-social behaviour that were investigated and, where necessary, action was taken against perpetrators. This was 243 less reports than the previous year.

We continue to provide our housing management service with local teams so that our staff know the neighbourhoods and communities in which they work. Housing Officers are out and about on their ‘patches’ and our craft repairs workforce is fully mobile. This year, due to the Covid 19 restrictions, we have had to radically change the way we work to keep our workforce and our tenants safe. We have continued to carry out essential visits to our estates, such as fire safety visits to our blocks of flats and maisonettes and responding to emergency situations in people’s homes, but a vast majority of our work has been carried out remotely using technology. Tenancy management teams made over 6,500 calls to vulnerable tenants, to identify specific support needs, as part our initial pandemic response. As the Covid 19 restrictions are lifted officers are now out and about on estates more frequently.

Housing office services are now re-opening in shared buildings within local communities. The Customer Services Centre runs a telephone advice line during working hours where tenants can report repairs and tenancy issues. Out of hours emergency calls are taken by an external provider. Last year the Customer Service Centre received 169,172 calls during the working day on the tenant’s advice line. 91,292 of these calls were about repairs. A further 14,382 calls were made out of hours.

We have introduced online functionality, called Housing Online that allows eligible applicants to apply to the Housing Register and once accepted to bid on available properties, known as Leicester Home Choice. Once they become a tenant, they are able to view and download rent statements. Tenants are able to view recent repairs to their property, as well as report new, non-emergency repairs. There is the facility for tenants to select a convenient appointment slot when these repairs are requested.

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

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

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

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

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

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.

During 2021/22 we will continue our programme of installing more efficient boilers, as boilers need replacing, increasing loft insultation to 250mm and putting in double glazed windows and doors as demand arises. This work will continue in 2022/22.

Approximately 3,350 properties are now on our district heating scheme.

The Housing Division has been successful in bidding for additional external funding in its Climate Emergency work for Green Homes grant. This year it has successfully drawn in £0.9m of external funding to undertake external wall insulation of hundreds of council properties in Leicester.

The Housing Division and Council is also leading on a consortium bid to the Social Housing Decarbonisation fund with seven Registered providers to improve the energy efficiency of properties within the City. The total bid is £6.9m to include funding for External Wall insulation, Loft insulation, Air Source heat pumps, triple glazing and loft insulation.

A programme of Climate literacy staff training has begun this year to support staff in the work that is required to deliver on the Councils climate commitments.

Our House building programme so far has delivered new homes that have improved energy efficiency. This year the homes we are starting to build will be our most highly energy efficient council homes. These homes will have EPC energy rating of A, which will be much better for the climate and more efficient for those living in them.

Our existing Council housing investment programmes continue to deliver loft insulation, A rated Boilers, LED lighting in communal areas, upgrading storage heaters to positively impact the efficiency of Council homes.

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

The most recent Housing and Economic Development Needs Assessment in 2017 identified that Leicester's net affordable housing need is 786 additional affordable housing homes per year to meet current and future demand from households who cannot afford to enter the private housing market. The city's average annual new supply of affordable homes has been less than a third of this need over the past 10 years, despite last year's 340 completions being the highest achieved in the past 5 years.

In October 2021 there were 5,850 households on the Housing Register. Demand for Housing is very high in Leicester, but it is also a city with a relatively low average household income. For many, renting from the council or a housing association is the only hope of a decent and settled home.

Right to Buy sales reduce the number of council homes available at an affordable rent. In 2020/21 204 homes were sold under the Right to Buy scheme, which has been lower than in previous years. At the end of 2021/22 we expect to revert back to the normal sales of around 400 homes per annum.

Issues affecting our ability to provide new affordable housing include:

- 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 means they 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. Recent government changes to rules now mean that up to 40% of eligible capital costs of new supply of affordable housing can be met from Right To Buy Receipts; this change is expected to help make schemes proposed on challenging / constrained sites more financially viable and therefore more likely to proceed to completion.

In order to meet Housing need there is now an active programme of housing development through the Housing Revenue Account. The Executive has approved over £100m to deliver new social housing. A pipeline of delivery of 1500 units on multiple sites has been identified and agreed by the Executive for the 4-year term. By the end of 2021/22 the Council will have been directly involved in the delivery of 1,242 units of new affordable housing in the city, through the Council housebuilding programme, acquisitions and through the Section 106 process.

During the first phase of council housebuilding 29 properties were built on Ambassador Road, Selby Avenue, Maplin Road, Brocklesby Way, Felstead Road and Rosehill Crescent at a cost of £4.6m. Phase 2 of house building is also being planned, with potential sites at The Velodrome and Lanesborough Road. Phase 2b and Phase 3 sites have been identified. In addition to this, 2 Adult Social Care extra care schemes are in development which will provide an additional 155 units.

When a property, previously sold under Right to Buy, is placed back onto the market, the Council has the first opportunity to buy this property back. We are increasingly taking up this option to increase our supply of affordable housing. In 2020/21 the council bought back 109 homes that had previously been sold through the Right to Buy scheme. Between April and October, a further 49 have been purchased, with offers made and accepted on a further 60 that are progressing through to completion.

Vacant Council properties are advertised through Leicester HomeChoice. Last year 196 Council tenants transferred within the stock to homes better suited to their need and 638 households became new Council tenants. In the first 6 months of 2021/22, 97 tenants had transferred properties and 400 new tenancies commenced.

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

Work has started on a scheme to undertake extension work at properties where households are experiencing overcrowding, rather than them having to move through the Housing Register to resolve the issue.

Each year the Capital Programme funds the adaptations of tenants existing homes where Adult Social Care and Children's Services identify the current tenant or family members needs those adaptations. During 2020/21, 108 minor adaptations took place in tenants' homes, such as ramps and door widening. There were also 109 major adaptations, such as level access showers, stair lifts and through floor lifts. This work will continue in 2022 / 23 in response to assessments by Adult Social Care and Children's Services.

As well as providing homes for people it is also important that we provide support to people to maintain their tenancy. The Supporting Tenants and Residents (STAR) service provides one-to-one support for council tenants who might otherwise lose their homes. Priority is given to support those 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. The service also works closely with Children's Services to help looked after children, foster families, children leaving care and other vulnerable families.

Housing Officers undertake a programme of Welfare Visits to tenants who may be vulnerable. This contact is an opportunity for us to check whether the tenant is coping in their home and, where appropriate, we signpost or refer people to support services. This is a preventative measure to help sustain tenancies, ensure people are safe, well and enables us to act before a crisis point is reached.

In 2020/21 96.7% of Council tenancies were sustained. This means that 96.7% of people who became new tenants in 2019/20 remained in their tenancy 12 months later. During 2020/21 the STAR service provided longer term support to 953 tenants and provided short term support to 1,407 tenants.

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

The Housing Division makes a significant contribution to the local economy, having a range of contracts in place with local businesses to provide specialist repairs in our Council homes, where these are beyond the remit of our craft operatives. All contracts have local labour and social value clauses.

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

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

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

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

The Housing Division has this year commenced two schemes with partners. St Mungo’s and BEAM are now working with Housing to deliver improved work outcomes and job opportunities for those facing homelessness and also for tenants.

**Appendix G**

# Feedback from Consultation with Tenants' and Leaseholders' Forum

A meeting was held with the Tenants' and Leaseholders' Forum on the 14th December 2021. Officers gave a presentation on the wider financial difficulties facing the Council and then specifically the pressures impacting upon the Housing Revenue Account. Officers presented the proposals for the Housing Revenue Account budget and Capital Programme for 2022/23. Information was provided outlining the rationale for each proposal being made.

At the Forum meeting members were asked 4 specific questions:

1. **Taking into account the financial pressures faced, the fact we still have the lowest average rents when compared with a lot of other housing providers and the services we have in place to support tenants in financial difficulty, what are your views on the proposed 4.1% core rent increase.**

Feedback

Members initially felt the 4.1% increase was too steep, taking into account the financial difficulties some tenants already found themselves facing. They felt tenants who did not receive Housing Benefit or Universal Credit would be particularly impacted upon. A discussion took place about the impact of a lower rent increase, for example, if a 3.1% increase was proposed instead then savings of £675k would need to be found to balance the budget. The Forum members were asked where they thought savings could be made from the budget proposals for 2022/23. The view was they did not really want to make any cuts to the budget. One member stated they felt cuts in budgets would impact upon services that could lead to a rise in crime rates on our estates. One member suggested consideration could be given to look at whether back office functions could be reduced rather than front line services. The Forum members stated they did not want to see reductions in the number of Housing Officers or Repair Operatives.

The Forum members asked for more time to consider the proposal and come up with suggestions if they felt these could be made within the current budget proposals. In response to this individual follow up telephone calls were made to Forum Members on Tuesday 21st December to see if they had any further comments they wanted to make on the proposals. 3 members were unavailable to give their feedback when officers called. All members stated they would like to have further time to consider the proposals and provide additional feedback early in the New Year.

- Member 1 stated the proposed rent increase was a bit high, but they understood the position the council is in and the restrictions placed on the council by the government. To facilitate a lower rent increase the Forum member stated savings could be made from the kitchens and bathroom replacement programme. It was stated these could be repaired rather than replaced, replacements were not seen as essential.
- Member 2 stated the increase is too high considering people's current circumstances and the other increases they are having to deal with. Having said

that, there's no services that they would like removed or reduced, they've already been reduced in recent years. Vacant properties could be brought back into use to bring that rent increase down. Even if the rent increase could come down to 4%, it could make a difference to people, but I will back 4.1% if no services are reduced.

- Member 3 stated they would like the rent increase to be lower and they would like this to be offset by higher increases in the garage rents as far as is possible.
- Member 4 was unable to attend the Tenants Forum meeting held on the 14th December 2021 but stated during their telephone call that they did not agree with the rent increase. The people that are working are paying for those who are not working. Money needs to be targeted in the right areas, then savings can be made and the most benefit got from the money that's available. The member stated if rents rise by 4.1% rent arrears will go up.

**2. What are your views on the proposed charges for garage rents, service charges and hostel rents and service charges?**

<u>Feedback</u>
Generally, the Forum members thought the proposals were acceptable. The main topic of discussion was around the proposed increase in garage rents. Some members felt there was scope to increase these charges further to an average rental charge of around £12 - £15 a week. One member felt the current proposal was reasonable, stating more tenants were renting garages to store mobility scooters and a further increase could impact upon these tenants.

Additional feedback from the follow up telephone calls was:

- Member 1 thought the proposals were fair and in fact a garage was a luxury, not a necessity.
- Member 2 thought the proposals were acceptable.
- Member 3 stated the garages rents should go up because a lot of people use them as a business, and they cost more elsewhere.
- Member 4 stated Council garages are no longer fit for modern cars. People are being charged for something that isn't fit for purpose.

**3. Taking into account the national rise in energy costs and the fact households generally are facing 20% increases in their prices, what are your views on the proposed 7.29% increase in district heating charges?**

Members appreciated that all households were facing an increase in their energy costs. One member raised concerns about the cumulative impact of the rising costs of living, for which this proposed increase will add to. Members were advised the average weekly increase resulting from the proposal would be around £1 per week for people on the district heating scheme. Members asked for a further breakdown of the costs per property type to enable them to comment further on the proposal.

Additional feedback from the follow up telephone calls was:

- Member 1 stated they thought the proposal was fair. It seems hard in the context of other increases in housing, but fair in the context of the national energy increases. The Council shouldn't be expected to take the burden of that. The price has to go up, it's the nature of prices and inflation.

- Member 2 stated they thought the proposed increase was high. It was stated these tenants have electricity to pay as well for both, the increase is well above inflation. The problem is that many tenants also have a gas cooker, so they are paying this national increase as well. They are also using electricity in the home, so they face these national increases as well. It's a triple whammy for them.
- Member 3 stated the proposal was too high, considering the other increases that were taking place.
- Member 4 disagreed with the 20% increase being experienced for wider energy costs. It was stated this hasn't happened and can't be used to justify the 7.29% increase, which is too high.

**4. What are your views on the proposed changes to the Capital Programme?**

Two comments were made about the Capital Programme. The first was around the additional £900k for climate change work. One member stated they thought this seemed high. Information was provided on the potential work required to meet 2030 climate change targets, including the retrofitting of our properties, which could run into millions in future years. One member stated the money put aside for concrete works in St Matthews may not be enough and would depend on the findings of the survey work that is currently taking place. It was accepted that this might be the case and money may need to be allocated in future budgets for a programme of works.

Additional feedback from the follow up telephone calls was:

- Member 1 stated the changes proposed for the Capital Programme were essential and there was no problem with these.
- Member 2 had no further comments in relation to the proposals.
- Member 3 said the budget report stated the windows and doors programme had been completed but there were still a lot of old draughty doors in the area they lived. The member also stated there needed to be a review of how homes are allocated to the kitchen and bathroom replacement programme, taking into account that some kitchens can be repaired, where they still have operational life left in them.
- Member 4 queried where extension work had taken place to address overcrowding as they were not aware of this work taking place. A question was also asked where the kitchen and bathroom replacement programme money, that wasn't spent during lock down, went. Kitchens and bathrooms shouldn't be replaced in void properties when tenants already living in properties haven't had one.

Leicester City Council

**Appendix H**

**MINUTE EXTRACT**

Minutes of the Meeting of the
HOUSING SCRUTINY COMMISSION

Held: MONDAY, 10 JANUARY 2022 at 5:30 pm

PRESENT:

Councillor Westley (Chair)
Councillor Chamund (Vice Chair)

Councillor Ali Councillor Aqbany
Councillor Byrne Councillor Gee
Councillor Rahman

In Attendance:

Councillor Cutkelvin – Assistant City Mayor (Housing and Education)

*** ** ***

**58. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**59. 59. DECLARATIONS OF INTEREST**

The Chair declared an interest as members of his family lived in Council accommodation.

The Vice-Chair declared an interest as a member of her family lived in Council accommodation.

Councillor Aqbany declared and interest as members of his family lived in Council accommodation.

Councillor Byrne declared and interest as she lived in Council accommodation.

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 Members were not, therefore, required to withdraw from the meeting.

## 66. HOUSING REVENUE ACCOUNT BUDGET (INCLUDING CAPITAL PROGRAMME)

The Director of Housing submitted a report, which described the City Mayor's draft Housing budget for 2022/23, prior to consideration at Full Council on the 23 February 2022.

It was reported that the financial landscape of the four-year period from 2016 to 2020 had been dominated by the Government requirement that rents be reduced by 1% each year. Despite this pressure, the HRA delivered balanced budgets.

It was noted that for the 5 years from 2020 rents were permitted to increase by up to CPI+1% and whilst that relaxation would help to sustain a financially viable HRA and support investment in the housing stock, the continuing impact of Right to Buy (RTB) sales on rental income persisted.

The Chair commented on the Government's policy and referred to the increased pressure on tenants, including rising cost of living expenses, fuel prices and inflation, leading to increased poverty.

The Assistant City Mayor (Housing and Education) was invited to comment.

Councillor Cutkelvin referred to the difficult outcome and reluctance to propose a 4.1% rent increase and stated that this had been the third year that such difficult and challenging decisions had been necessary, due to Government policy. In terms of consultation with the Tenants and Leaseholders Forum it was confirmed that although not in favour of the proposed core rent increase, there had been no suggestions or proposals of reduced services to allow for a reduced rent increase. This situation was acknowledged by Commission members and would be explained further in the pending presentation to be given by the Director of Housing.

The Director of Housing then gave a presentation, which identified a proposed core rent increase of 4.1% and confirmed previous increases in 2020/21 of 2.7% and in 2021/22 of 1.5%. It was noted that this was an average rent increase of £3 per week. In this regard the Director of Housing pointed out that 50% of tenants were on full Housing Benefit / Universal Credit (HB / UC), and 20% of tenants were on partial HB / UC.

The ongoing significant provision offered to ensure tenancy sustainment support through the Income Management Team, Rent Management Advisors, Housing Officers, welfare visits and ASB, STAR and Discretionary Housing Payments were welcomed and noted.

The tenure comparison with the average rents nationally and with other East Midlands Authorities were presented and it was noted that Leicester's position remained favourable as one of the most inexpensive authorities.

In terms of the equivalents and reduction in the proposal to 3.1% were described and it was noted that this would result in a loss of £675k to the HRA each year, with a total loss of £22m in 30 years.

It was reported and noted that the impact could be:

- 85 fewer new roofs each year, or
- 125 fewer kitchens and bathrooms each year, or
- 250 fewer boilers per year, or
- 17 less repairs operatives, or
- 15.5 less Housing Officers

The impact on garages, service charges and hostel rents and the district heating charges were also reported, it being noted that over 2,400 tenants and 800 leaseholders were on the district heating scheme.  A considerable increase in energy wholesale prices nationally with a 20% increase in energy bills, due to advanced purchasing proposed 7.29% increase for district heating charges was proposed, with an average increase of £1 per week to tenant's bills.

In terms of the proposed changes to the Capital Programme the budgets concerning kitchen and bathroom replacements, boiler replacements and window and door replacements were noted.

Further projects concerning door entry system upgrades (to be suspended) district heating maintenance and communal and environmental works were described and accepted.  In respect of future works and projects into 2022/23, details were provided of adaptations for incoming tenants, fire risk work, property conversations and extensions, affordable Housing Programme, and the Dawn Centre reconfiguration.

As reported previously by the Assistant City Mayor (Housing and Education), the Tenants Forum feedback had suggested that the proposed rent increase of 4.1% was too high, although support was given the proposed Garage (4.1%) and service charges (2%) increases.  To mitigate a lower rent increase, it had been suggested that garage rents could be increased.

The Director of Housing provided details on the minor impact this would have, given the number of garages in the Council's ownership, compared to the much greater housing stock.

In concluding the presentation, it was confirmed that the report would be submitted to Overview Select Committee on 10 February 2022, prior to Full Council on 23 February 2022.

*Councillor Byrne left the meeting at 6.20 pm and indicated her support to the recommendations to increase the rent and service charges.*

*Councillor Ali left the meeting at 6.48 pm and indicated her support to the recommendations to increase the rent and service charges.*

AGREED:

To support the recommendation to Full Council to:

I. Note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;
II. Note the comments from the Tenants' and Leaseholders' Forum at Appendix G, the Housing Scrutiny Commission at Appendix H, and the Overview Select Committee at Appendix I;
III. Approve the Housing Revenue and Capital budgets for 2022/23;
IV. Approve rent and service charge changes for 2022/23 as follows:
    - 4.1% increase to core rent;
    - 4.1% increase to garage rent;
    - 2.5% increase to Hostel rent and service charges;
    - 7.29% increase in District Heating charges;
    - 2.0% increase to all other service charges;
V. Note the equality impact assessment of the proposed revenue and capital reductions required to present a balanced budget, at Appendix J;
VI. 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;
VII. Note that the capital strategy in that report applies also to the HRA;

    Agree that the delegations and determinations applicable to the main capital programme (which is also on your agenda) shall also apply to the capital programme in this report.

Leicester City Council

***********************
MINUTE EXTRACT
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**Appendix I**

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 10 FEBRUARY 2022 at 5:30 pm

P R E S E N T:

Councillor Cassidy (Chair)

Councillor Gee
Councillor Halford
Councillor Joel
Councillor Joshi
Councillor Kitterick
Councillor Porter
Councillor Thalukdar
Councillor Westley

In Attendance

| | |
|---|---|
| Sir Peter Soulsby | City Mayor |
| Councillor Piara Singh Clair | Deputy City Mayor |
| Councillor Elly Cutkelvin | Assistant City Mayor |

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**72. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**73. DECLARATIONS OF INTEREST**

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

Councillor Westley declared an interest in agenda items to be discussed that family members were council tenants.

Councillor Halford declared an interest in agenda items to be discussed that family members were council tenants.

Councillor Joshi declared an interest in the agenda items to be discussed that his wife worked for the Reablement Team, Leicester City Council.

Councillor Thalukdar declared an interest in agenda items to be discussed that a family member was a council tenant.

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

**81. HOUSING REVENUE ACCOUNT (INCLUDING CAPITAL PROGRAMME) 2022/23**

The Director of Housing submitted a report which set out the proposed Housing Revenue Account (HRA) budget (including Capital Programme) for 2022/23, which would be considered by Council on 23 February 2022. An extract from the meeting of the Housing Scrutiny Commission on 10 January 2022 was also considered.

The Overview Select Committee was recommended to make any comments on the report, in particular the proposal for delivering a balanced budget and the proposed rent increase.

The Director of Housing delivered a presentation (attached for information) which picked out highlights from the report and additional pertinent information:

- The Housing Revenue Account Budget was made up of income from council tenant rents and service charges. The money was used to provide the repairs service, fund the work of the Income Management Team, the Housing Officers and the STAR service. It was also used to invest in stock through the Capital Programme and to make improvements to the environment of the Council's estates.
- The investment made into properties, and that planned for the future, ensured all council homes were of high quality, compared with other tenure types in the city, and the wide range of services provided demonstrated the Council was one of the best landlords in the city.
- The HRA had faced financial challenges, with reducing income levels over time. It was reported that since 1981 the Council had lost in the region of 17,000 properties through Right to Buy (RtB). If those properties were still held in the Housing Revenue Account, then there would be an additional £63m of income each year.
- Additional financial pressures were felt between 2016 and 2020 by the government requirement that rents be reduced by 1% each year. Whilst tenants benefited from a reduction in their weekly rent during this period it led to an overall loss of income to the Housing Revenue Account of £3.1m per year.
- The continuing financial pressures, such as a rise in employee costs, were taken into account when drawing up proposals for the HRA budget for 2022/23, and difficult decisions had been made to ensure there was money to continue to provide services that were a priority for tenants.

- The Council would do everything it could to protect tenants and had therefore chosen not to charge rents which exceeded Local Housing Allowance rates and meant that tenants would never be charged more than the benefits they received for housing, for those on full Housing Benefit or those who had all their housing costs covered by Universal Credit (UC).
- There was a proposed 4.1% increase in core rents, with on average tenants paying just over £3 more rent a week. It was known that about 50% of tenants were on full housing benefit or had their full housing costs covered by UC. For these households the increased rent would be covered by their benefit entitlement in full.
- The Council had a long history of providing support to tenants who faced financial difficulties, much more than was in place for people in other tenure types. Support would continue, particularly for those who were adversely impacted upon by the proposed rent increase. The HRA funded the Income Management Team which was there to support tenants in financial difficulties. Housing Officers also carried out welfare visits to vulnerable council tenants, and the STAR service provided support to tenants with more complex needs, where financial difficulties may be just one issue that required support. Those services brought in over £2m additional income for tenants.
- Slides provided comparison of average rents for council tenure and the private sector in Leicester, comparator authorities, and other East Midland authorities, and showed Leicester City was amongst the lowest rents.
- Whilst garage rents were set separately to dwelling rents it was proposed to increase those in line with the core rental increase at 4.1%.
- Service charges should be set with the intention of recovering the full cost of providing the service. Currently, tenants and leaseholders were benefitting from charges which were set below the cost of delivery, and it was proposed to increase service charges by 2% with the impact on tenants and leaseholders being dependent on what additional services and improvements they had received in their home. Also, the majority of service charges were covered by Housing Benefit and UC, for those that received the full entitlement.
- Hostel rents and service charges were calculated to ensure that expenditure was fully re-couped. Costs for the service were expected to increase by 2.5% in 2022/23 so an equivalent increase in rents and service charges was proposed.
- For District heating the proposed increase was 7.29% to cover massive increases in wholesale energy prices, which was on average £1 more per week.
- Feedback from tenant representatives was contained in Appendix G of the report. They were supportive of the proposed rent increases for garage rents and service charges and thought that garage rents could possibly be increased more than was proposed. They also thought overall the proposed increase in the district heating charge was fair.
- Some tenant representatives did had some concerns over the level of the proposed core rent increase and would prefer to see a lower rent increase. However, it was made very clear by the tenant representatives that they absolutely did not wish to see any cuts in the Housing services provided or investment being made to Council housing and the estates.

- In terms of the next steps the final decision on the Housing Revenue Account budget for 2022 / 23 would be made at the Full Council meeting on the 23 February 2022.

Councillor Westley, Chair of Housing Scrutiny Commission (SC), reported the HRA had been considered at the last Commission meeting on 10 January and had fully supported the proposals. He stated the HRA was a huge single figure in the council's budget and for that reason alone needed to be considered carefully.

It was reported that during consultations on the budget a question had been asked 'Your suggested rent increase would cut more than £750,000 from the budget. What would you cut?' It was noted that no cuts in budget were suggested, but there were plenty of ideas for increased spending, for example, on safety and security, environmental works, increased staffing, and further house building. He believed the responses from tenants and leaseholders indicated no-one felt there was waste or inefficiency within the budget and echoed the sentiment, which was supported by further information from within and outside the city.

The Chair of Housing SC also noted the Council's rents were cheaper by a significant amount than housing association rents within the city, and a lot cheaper than private sector rents, and cheaper than the vast majority of similar authorities around the country. He added that being cheap was not by itself an advantage or a virtue, as the Council had to deliver effective services and programmes for the thousands of families who lived in our rented homes across the city.

It was reported that some of the most vulnerable people on the lowest incomes were council tenants and would find they were being affected by cuts in UC and other benefits. The Chair of SC stressed that moving forward to support the many that were living on the breadline, he wanted to see a hardship fund created, that would incrementally rise year on year as need arose, for example, those not on UC and working, but were still on the breadline through the rise in the cost of living and heating bills.

The Chair of Housing SC continued that the HRA supported teams which helped those vulnerable people directly, and the proof was in how few evictions had been imposed, but where there were evictions, they had overwhelmingly been caused by antisocial behaviour issues or refusal to make contact with officers trying to help them. He added that the Housing department worked with, not against, council tenants, helped create and support communities across the city, and helped to create and sustain jobs.

The Chair of Housing SC reported that the points made were the views set out at the Housing SC meeting, and he was pleased to report that Members had unanimously supported the HRA budget proposals and that he hoped the Overview Select Committee reinforced the view. He additionally paid tribute to the Council's enforcement team who work tirelessly to keep people in their homes with food on the table.

Councillor Porter commented that with regards to waste and inefficiency, the number of void properties being left empty had lost the Council in excess of £1million in rent. He added that with the 4.1% increase in rent, 50% of people would be impacted in the midst of a cost-of-living crisis, with increased fuel bills, Council Tax increases, and people were having to make some very difficult decisions.

Councillor Porter made further reference to the call-in of an executive decision (Acquisition of Property Portfolio for Affordable Housing) at the meeting of the OSC on 16th December 2021, and to page 50, Appendix D to the report, whereby it cost on average £96.69 for a bedsit in the private sector and £57.64 for a council bedsit which was 40% lower than the private sector. He noted it cost £97.51 to rent a four-bedroom council property and that the council would be better spending money on building new property rather than purchasing bedsits, to provide housing for families.

Councillor Gee, responded that as a Member of the Housing SC, it had been discussed that 50% of tenants would be on full UC, with 20% on partial housing benefit who would pay slightly more in rent, and the remainder did not receive benefits. He added council tenants wanted to be kept to good standard and upgraded, but unfortunately they could see nothing in the budget that could be cut. He added that there were property voids and loss of income during the pandemic but had been unavoidable as subcontractors had been furloughed, but voids were almost back to normal levels. The Director of Housing confirmed it had been challenging and at one point, only one worker at a time had been allowed into properties, but contractors were now being utilised as capacity increased in order to bring more voids into use. It was noted the rental loss would show slightly higher this year, but the mitigating reasons behind it were understood by many people.

The Director of Housing responded that with regards to the 50% of people of tenants that would be affected by the rent increase, 20% would get a proportion of the increase covered. He added that the 30% of the tenancies not on benefits and who might struggle with the increase of £3 per week would receive support from a number of teams. He added that, whilst it was not a pleasant increase, he was reassured the Council had those teams to work closely with people who might struggle during the current economic climate to enable them to manage. He noted the Income Management Team had done a very good job over the years to support people economically, and nobody had been evicted during the last year, and there had only been seven incidents of evictions due to rent arrears, which was put down to non-engagement with officers and support offered to them. It was explained that as soon as someone went into arrears, assistance was offered to help them manage their finances, for example, to spread out arrears, to help them apply for the discretionary rent relief fund and council tax discretionary relief scheme, the Income Management Team had brought in over £500k in additional income for people, to help people cope with challenges. It was also reported the STAR team had brought in over £1m to assist people struggling.

The Director referred to the purchase of units discussed at the previous meeting, which would generate an additional £1.4m income into the HRA back into the account. He had also stated that whilst there was a need for family homes, there was also a need for bedsits and one-bedroom flats to support the ‘Everyone In’ initiative.

The Chair stated there had been good debate and welcomed the views of the Housing SC because it was very clear that Members had looked at the budget thoroughly.

He proposed that the recommendations in the report be endorsed for Full Council. Members agreed with the proposal. Councillor Porter asked that his decision against the proposed recommendations be noted.

AGREED:

1. That the report be noted.
2. The recommendations be endorsed for Full Council.

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MINUTE EXTRACT
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**Appendix J**

**Equality Impact Assessment (EIA)**

# Equality Impact Assessment (EIA) Tool:

| | |
|---|---|
| **Title of proposal** | Housing Revenue Account Budget (including Capital Programme) 2022/23 |
| **Name of division/service** | Housing |
| **Name of lead officer completing this assessment** | Helen McGarry |
| **Date EIA assessment completed** | |
| **Decision maker** | Full Council |
| **Date decision taken** | 23rd February 2022 |

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

## Please ensure the following:

a) That the document is **understandable to a reader who has not read any other documents** and explains (on its own) how the Public Sector Equality Duty is met. This does not need to be lengthy but must be complete and based in evidence.
b) That available support information and data is identified and where it can be found. Also be clear about highlighting gaps in existing data or evidence that you hold, and how you have sought to address these knowledge gaps.
c) That the equality impacts are capable of aggregation with those of other EIAs to identify the cumulative impact of all service changes made by the council on different groups of people.
d) That the equality impact assessment is started at an early stage in the decision-making process, so that it can be used to inform the consultation, engagement and the decision. It should not be a tick-box exercise. Equality impact assessment is an iterative process that should be revisited throughout the decision-making process. It can be used to assess several different options.
e) Decision makers must be aware of their duty to pay 'due regard' to the Public Sector Equality Duty (see below) and 'due regard' must be paid before and at the time a decision is taken. Please see the Brown Principles on the equality intranet pages, for information on how to undertake a lawful decision-making process, from an equalities perspective. Please append the draft EIA and the final EIA to papers for decision makers (including leadership team meetings, lead member briefings, scrutiny meetings and executive meetings) and draw out the key points for their consideration. The Equalities Team provide equalities comments on reports.

## 1. Setting the context

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

The financial landscape of the four-year period from 2016 to 2020 was dominated by the government requirement that social housing rents be reduced by 1% each year, which reduced income to the Housing Revenue Account by £3.1m per annum. For the 5 years from 2020 rents can be increased by up to CPI+1%. Whilst this relaxation is welcome, a number of other external pressures on the

Housing Revenue Account Budget persist. These include the impact of increasing Right to Buy sales, where it is predicted further £1.2m rental income will be lost during 2022/23; inflation and staff cost pressures which amount to an increase of nearly £1m for 2022/23; a predicted 20% (£0.5m) increase in energy costs and increased £0.8m Council Tax liability for properties we have purchased on the open market, whilst they are being prepared for re-letting. To address the deficit that this creates it is proposed additional income / savings can be delivered in several areas including, increasing rent and service charges (£2.9m) and additional rental include from new build and acquired properties (£2.1m.) The Housing Revenue Account budget report recommends that the budget for 2022/23 is set as a balanced budget, with no drawing on reserves to achieve this.

The Housing Revenue Account Budget report is proposing a 4.1% increase to the core rents of Council homes. As well as this rent increase for 2022/23 the report is recommending:

- Increasing service charges by 2%
- Increasing garage rents by 4.1%
- Increasing Hostel rent and service charges by 2.5%
- Increasing District Heating charges by 7.29%

The cost of the Capital Programme for 2022/23 is predicted to be £117.46m. The following projects are those where it is proposed that changes will be made to the allocation of funding through this Programme:

- Contractor availability is expected to be restricted into 2022/23 with no more than £3m expected to be spent on new kitchens and bathrooms, a reduction on the £3.6m current annual budget. This will enable 825 kitchens and bathrooms to be installed.
- Most of the non-standard boilers have now been replaced, meaning that boilers are lasting longer and being repaired more easily. This results in a reduction in the capital budget requirement from £3.4m to £2.8m in 2022/23, sufficient for a further 900 new boilers.
- The upgrading of door entry systems has been suspended pending a review of more efficient cloud-based solutions. A budget for this in 2022/23 will therefore not be required.
- District Heating Maintenance work is progressing well, such that this budget can be reduced by £75k in 2022/23.

- Additional budget was added into the capital programme for 2021/22 to adapt properties and make them suitable for people on the Council housing waiting list. This work will now take place in 2202/23.
- The slipped budget for fire safety work from 2021/22 will be sufficient for 2022/23, with no additional budget requirement.
- A further £250k will be required in 2022/23 to continue the work on extending/converting properties to address overcrowding.
- An additional £100m will be added to the Affordable Housing – Acquisitions & New Build programme.
- £450k has been allocated to re-furbish the Dawn Centre.
- £900k is included in the budget to support the decarbonisation agenda.
- Provision in the budget has been made for concrete work in St Matthews to start in 2022/23. The cost of this will be established when survey work, currently taking place, has been completed.

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

## 2. Equality implications/obligations

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

### a. Eliminate unlawful discrimination, harassment and victimisation

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

From this equality impact assessment no significant impacts have been identified.

### b. Advance equality of opportunity between different groups

- How does the proposal/service ensure that its intended outcomes promote equality of opportunity for people?
- Identify inequalities faced by those with specific protected characteristic(s).

- Is this a relevant consideration? What issues could arise?

The proposals continue to commit to the provision of decent homes to council tenants and equality of opportunity for people to have decent homes to live in. The standard of accommodation in council owned properties is higher than in some areas of the private sector.

### c. Foster good relations between different groups

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

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

## 3. Who is affected?



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

The proposal to increase rents will affect all Leicester City Council tenants across the city. As at November 2021 approximately 50% of our tenants were in receipt of full Housing Benefit or had their full housing costs paid through Universal Credit. These tenants will have their housing costs covered by any uplift in benefit entitlement associated with the rent rise. The negative impact of having to pay more rent could affect approximately 20% of tenants who are in receipt of partial Housing Benefit or have their housing costs partially covered by Universal Credit. A negative impact will also affect approximately 30% of our tenants who pay full rent. However, the impact of the rent increase will be dependent on the tenants' financial situation rather than any protected characteristic.

Service charges are added to rent when additional services are provided, for example, cleaning to communal areas. All tenants who pay these charges will need to pay 2% more each week for these. The charge will depend on what service is being provided. Services provided are linked to the property and are therefore not based on a persons' protected characteristic. Tenants in receipt of full housing benefit and full Universal Credit will continue to have the majority of service charges payable covered by their benefit entitlement. The negative impact of having to pay more for service charges will affect approximately 30% of tenants who do not receive Housing Benefit or Universal Credit and the 20% of tenants who are in receipt of partial benefits. The impact of the service charge increase will, in general, be dependent on tenants' financial situation rather than any protected characteristic. The exception is the service charge for district heating, which is not covered by Housing Benefit or Universal Credit. All tenants will have to pay this charge and the 7.29% proposed increase. There are currently 3,351 households in the city on the district heating scheme, 2,514 tenants and 838 leaseholders. A high number of properties that are provided with district heating are located within the Centre area of the city. We know a higher proportion of BME households live in this area. However, the impact of the district heating charge will still be dependent on a person's financial situation rather than their protected characteristic. Whilst the proposed 7.29% increase for District Heating charges is significant, the increase is somewhat lower than that being experienced in the market more generally.



The impact of the proposed 2.5% increase in Hostel Rents and service charges will impact upon single people and couples staying at the Dawn Centre and families staying at Bridlespur Way, and those people who will use these facilities in the future. Our records show the majority of people accommodated in temporary accommodation receive Housing Benefit or Universal Credit and therefore these additional charges will be covered by these benefits. The impact of having to pay more will be for those people who do not receive Housing Benefit or Universal Credit. However, we know there are low numbers of people in this situation using the service. As with the proposed increase in Council core rents the impact will be determined as a result of a person's financial situation and not as a result of a particular 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 approximately 600 garages rented out, so the proposed 4.1% increase in rent could impact upon these people, also other people who start to rent garages in the future. 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.

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.

- Although contractor availability is expected to be restricted into 2022/23 £3m is expected to be spent on new kitchens and bathrooms. All tenants effected will benefit from this work, not just those with a protected characteristic.
- The reduction in the budget for boilers will still enable 900 new boilers to be fitted, where these are required. All tenants affected will benefit from this work, not just those with a protected characteristic.
- Although the upgrading of door entry systems has been suspended whilst more modern systems are investigated, repairs to current systems will continue, where this is required. This work is dependant on the buildings which have a door entry system and not as a result of tenants protected characteristics.
- A budget of £75k is proposed to continue with District Heating Maintenance work. This will benefit tenants and leaseholders who have this source of energy and not as a result of a protected characteristic. A high number of properties that are provided with district heating are located within the Centre area of the city. We know a higher proportion of BME households live in this area, so the ongoing maintenance will particularly benefit this group.
- The budget to adapt properties and make them suitable for people on the Council housing waiting list is will have a positive impact on people with a disability protected characteristic, as the length of time they have to wait to be offered a suitable property to meet their needs could be reduced.
- The HRA budget report states the slipped budget for fire safety work from 2021/22 will be sufficient for 2022/23, with no additional budget requirement. The work required is identified through risk assessments and inspections of our properties and communal areas, not as a result a person's protected characteristic. Work undertaken will address safety concerns of all living in an area where the work takes place.
- The additional £250k to continue the work on extending/converting properties to address overcrowding will address the individual overcrowding situation of tenants, irrespective of their protected characteristic. The properties where this work is to take place will largely be determined by the suitability of properties to be converted.
- The additional £100m to be added to the Affordable Housing – Acquisitions & New Build programme will benefit all households on the Housing Register, with an additional supply of affordable Housing, irrespective of their protected characteristic. The positive impact is the time it takes for them to be re-housed could be reduced.

- The £450k allocated for the refurbishment of the Dawn Centre will benefit single people and couples who need temporary accommodation. Additional bed space at this accommodation will support the reduction of rough sleeping for these groups.
- The £900k being made available to support the decarbonisation agenda and the work associated with this will depend on the condition of our properties and will not be related to the protected characteristics of the households that live in these.
- The budget provision for concrete work in St Matthews will be based on a property conditions survey and not the protected characteristic of tenants and leaseholders. However, we know there are a high percentage of BME groups living in this area of the city, who will benefit from this improvement work.

## 4. Information used to inform the equality impact assessment

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

Tenant profiling information has been collected and analysed from the Northgate IT system (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 limited information collected specifically about disabilities.

## 5. Consultation

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

- What is important to them regarding the current service?

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

See Appendix G to the main report

# 6. Potential Equality Impact

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

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



## Protected characteristics

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

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

**Mitigating actions:**
For disproportionate negative impacts on protected characteristic/s, what mitigating actions can be taken to reduce or remove the impact? You may also wish to include actions which support the positive aims of the Public Sector Equality Duty to advance

equality of opportunity and to foster good relations. All actions identified here should also be included in the action plan at the end of this EIA.

## a. Age

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

**What is the impact of the proposal on age?**
No potential impact

**What is the risk of disproportionate negative impact on age?**
No group will be disproportionally impacted upon by this proposal

**What are the mitigating actions?**
Not applicable



## b. Disability

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

**What is the impact of the proposal on disability?**
People with a disability who are waiting for re-housing on the Housing Register may be offered accommodation to meet their needs sooner

**What is the risk of disproportionate negative impact on disability?**
No group will be disproportionally impacted upon by this proposal

**What are the mitigating actions?**
Not applicable

### c. Gender reassignment

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

**What is the impact of the proposal on gender reassignment?**
No potential impact

**What is the risk of disproportionate negative impact on gender reassignment?**
No group will be disproportionately impacted upon by the proposal

**What are the mitigating actions?**
Not applicable



### d. Marriage and civil partnership

**What is the impact of the proposal on marriage and civil partnership?**
No potential impact

**What is the risk of disproportionate negative impact on marriage and civil partnership?**
No group will be disproportionately impacted upon by this proposal

**What are the mitigating actions?**
Not applicable

## e. Pregnancy and maternity

**What is the impact of the proposal on pregnancy and maternity?**
No potential impact

**What is the risk of disproportionate negative impact on pregnancy and maternity?**
No group will be disproportionately impacted upon by this proposal

**What are the mitigating actions?**
Not applicable

## f. Race



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

**What is the impact of the proposal on race?**
Tenants from a BME background in the Centre area of the City may be more impacted upon by the increased service charges for District Heating. However, these increases are not as severe as elsewhere in the open market.

Tenants from a BME background in the Centre area of the City will benefit from concrete improvement work in the area

**What is the risk of disproportionate negative impact on race?**
No groups will be disproportionately impacted upon by this proposal

**What are the mitigating actions?**
The Income Management Team to continue to monitor rent arrears and provide support for those people struggling to pay as a result of the increased charges.

### g. Religion or belief

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

**What is the impact of the proposal on religion or belief?**
No potential impact

**What is the risk of disproportionate negative impact on religion or belief?**
No group will be disproportionately impacted upon by this proposal

**What are the mitigating actions?**
Not applicable

### h. Sex



Indicate whether this has potential impact on either males or females

**What is the impact of the proposal on sex?**
No potential impact

**What is the risk of disproportionate negative impact on sex?**
No group will be disproportionately impacted upon by this proposal

**What are the mitigating actions?**
Not applicable

### i. Sexual orientation

**What is the impact of the proposal on sexual orientation?**
No potential impact

**What is the risk of disproportionate negative impact on sexual orientation?**
No group will be disproportionately impacted upon by this proposal

**What are the mitigating actions?**
Not applicable

## 7. Summary of protected characteristics

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

All protected characteristics have been commented on because work to improve the condition of properties and the environment of estates impact on all tenants.

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



## 8. Other groups

### Other groups

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

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

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

## a. Children in poverty

**What is the impact of the proposal on children in poverty?**
Children living in over-crowded conditions may benefit from the proposals to convert properties to address this issue. Also, adaptations to properties to enable the re-housing of households from the housing register may benefit children with disabilities.

**What is the risk of negative impact on children in poverty?**
No group will be disproportionately impacted upon by this proposal

**What are the mitigating actions?**
Not applicable

## b. Other vulnerable groups

**What is the impact of the proposal on other vulnerable groups?**
No potential impacts

**What is the risk of negative impact on other vulnerable groups?**
Not applicable

**What are the mitigating actions?**
Not applicable

### c. Other (describe)

**What is the impact of the proposal on any other groups?**
No potential impact

**What is the risk of negative impact on any other groups?**
Not applicable

**What are the mitigating actions?**
Not applicable

## 9. Other sources of potential negative impacts

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

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

No known impacts at present

## Human rights implications

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

No known impacts at present

## 10. Monitoring impact

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

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

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

- 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.

## 11. 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 |
|---|---|---|---|
| Actions are progressed to mitigate the potential negative impacts that are associated with the budget proposals | The Income Management Team to continue to monitor rent arrears and provide support for people struggling to pay rent / service charges as a result of any increase. | Income Collection Manager | Ongoing |

# Human rights articles:

## Part 1: The convention rights and freedoms

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



## Part 2: First protocol

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

**********************
MINUTE EXTRACT
**********************

**Appendix 1**

## Tenant Profiling Information

<u>Ethnicity</u>

| Ethnicity | No. of Tenants |
|---|---|
| Any Other Ethnic Group | 374 |
| Any other Heritage Background | 110 |
| Asian/Asian Brit of Other Asian Background | 562 |
| Asian/Asian British of Bangladeshi Origin | 191 |
| Asian/Asian British of Indian Origin | 1,365 |
| Asian/Asian British of Pakistani Origin | 220 |
| Black/Black British of African Origin | 1,361 |
| Black/Black British of Caribbean Origin | 348 |
| Black/Black British of Other Black Background | 190 |
| Black/Black British of Somali Orig | 351 |
| Chinese of Chinese Origin | 20 |
| Chinese of other Chinese Background | 8 |
| Dual/MH Asian & White | 60 |
| Dual/MH Black African & White | 53 |
| Dual/MH Black Caribbean & White | 222 |
| Ethnicity Unknown | 3,182 |
| Other Eth Group Gypsy/Romany/Irish Traveller | 25 |
| Prefer Not to Say | 526 |
| White British | 9,248 |
| White of European Origin | 386 |
| White of Irish Origin | 131 |

| | |
|---|---|
| White of Other White Background | 440 |

## Age

| Age | No. of tenants |
|---|---|
| Not known | 510 |
| Ages 16-64 | 14,494 |
| Ages 65-74 | 2,734 |
| Ages 75+ | 2,079 |

## Gender

| Gender | No. of tenants |
|---|---|
| Female | 11,027 |
| Male | 8,337 |
| Not known | 4533 |

## Religion

| Religion | No. of tenants |
|---|---|
| Atheist | 274 |
| Buddhist | 17 |
| Christian | 2,232 |
| Hindu | 352 |
| Jain | 2 |
| Jewish | 4 |
| Muslim | 1,818 |
| No religion | 2,350 |
| Not known | 11,495 |
| Other | 308 |
| Prefer not to say | 881 |
| Sikh | 84 |

# City Council Decision

## Treasury Management Strategy 2022/23

Decision to be taken by: City Council

Overview Select Committee: 10th February 2022

Council: 23rd February 2022

Lead director: Alison Greenhill,

Chief Operating Officer

**Useful information:**

- Ward(s) affected
- Report authors: Amy Oliver
  Nick Booth
- Author contact details: amy.oliver@leicester.gov.uk
  Nick.booth@leicester.gov.uk
- Report version number

## 1. Purpose of Report

1.1 This report proposes a strategy for managing the Council's borrowing and cash balances during 2022/23 and for the remainder of 2021/22. (This is the Treasury Management Strategy).

## 2. Summary

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

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

2.3 The Council also has cash balances. These are needed for day to day expenditure (e.g. to pay wages when they are due) although some form our reserves. A substantial proportion can only be used to repay debt but (because of Government rules) we are usually unable to use this proportion to repay debt without incurring excessive cost. Thus, they are held in investments.

2.4 Interest rates having reduced substantially during the previous year have stayed very low in 2021/22, though there was a small rise in December 2021. As our loans are at fixed rates, falls in interest rates only affect the interest earned on our cash balances. The Council's budget position up to 2021/22 however was protected due to investments being made for periods of two years with other local authorities prior to these reductions. The expectation though is that the Bank of England Monetary Policy Committee will raise rates in 2022 which would be beneficial for the Council's treasury management budget.

## 3. Recommendations

3.1 The Council is recommended to approve this treasury strategy, which includes the annual treasury investment strategy at Appendix B. The strategy will become effective as soon as it is approved.

3.2 Members of Overview Select Committee are recommended to note the report and make any comments to the Chief Operating Officer that they wish, prior to Council consideration.

4. **Borrowing**

4.1 As at 31st March 2021, the Council had a total long-term debt of £180m. comprising £135m borrowed from the Public Works Loans Board (PWLB) (a Government quango), and £45m from the financial markets. This position had not changed by 12th January 2022 and is not expected to change during the next year either.

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

4.3 The Government no longer does this, choosing instead to support our capital programme by means of capital grants (i.e. lump sums). Consequently, our debt levels are largely static, until individual loans are due for repayment. As most of our debt is long term, with repayments due 26 to 55 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.

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

4.6 Given our high cash balances it is unlikely that the Council will need to borrow in the foreseeable future and one important consideration is that the interest rate foregone when cash balances are used in lieu of borrowing is less than the interest rate paid on new borrowing. However, we have to consider that currently long-term interest rates remain historically low and taking a long term view it may be cheaper to borrow now and not in the future when interest rates have risen. Accordingly, whilst the core assumption of this strategy is that no long-term borrowing will take place in 2022/23, it allows for the possibility that it does. It should be noted that the recent acquisition of the Haymarket Shopping Centre for £10 million was funded from resources set aside for this purpose and required no borrowing.

4.7 For many years the PWLB has been the dominant lender to local authorities, and this seems likely to continue. However, the Treasury Policy still grants sufficient delegated power to the Director of Finance to access new lenders if required.

5. **Investments**

5.1 The effort involved in treasury management now revolves almost solely around management of our cash balances. These fluctuate during the course of a year, and generally range from £250m to £350m dependent on circumstances (e.g.

closeness to employees' pay day). Cash balances have held up well in the current financial year.

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 (some are required to balance the 2022/23 budget, as reported elsewhere on your agenda).

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

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

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

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

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

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

5.6 Inflation has increased significantly to over 5% at present with expectations that in the short term at least it will go higher. Whilst many commentators still regard the rise in inflation to be "transitory", at least to some extent, there does seem to be a developing problem and therefore central banks are more likely to raise interest rates to try and counter it.

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

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

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

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

5.11 In respect of **return**, bank base rates have recently risen to 0.25%, and our advisors expect them to rise further to 0.50% early in the new year. However, they still believe that they will remain extremely low for three years at least, though they do believe there is a possibility that they could rise to 1% by December. This is a marked change from a year ago when the prospect of negative interest rates was being discussed.

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

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

(a) We will lend on an unsecured basis to the largest UK banks and building societies for periods not exceeding one year, subject to our treasury advisors' advice, though currently our advisors have recommended that we should limit our lending to a maximum of 100 days. Bail-in rules mean lending for long periods on an unsecured basis is too great a risk;

(b) We will lend for longer periods, and to smaller banks or building societies, if our money is 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. No local authority has ever defaulted on a loan. We will lend to local authorities for up to 3 years, enabling us to secure greater returns. We will seek advice from our advisors for any loan in excess of 24 months.

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

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

5.14 In addition to the above, we will invest up to £30M in commercial property funds. These are pooled investments similar to "unit trusts". This continues the current strategy. Such funds are expected to pay dividends at a rate of approximately 3.0% which exceeds current cash returns of around 0.1%. Current investments are valued at £8M. However, with such funds there is always a risk that values will decrease. Performance has recently improved and been reasonably resilient despite the impact of Covid on the economy.

5.15 In addition to the above, we are also proposing to allow investment of up to £20M in diversified asset investment funds. These funds invest in a mixture of shares, property and government investments and are pooled with other investors funds. These investment funds are professionally managed and typically produce an income of between 3% and 5%. Risk is higher than cash and we can manage this by offsetting any short-term losses against other investment income. In the longer term they normally provide a better return than cash. The Council has a smaller proportion of its treasury investments in non-cash deposits than most other authorities.

5.16 There is a new market emerging for investment with environmental and socially responsible objectives, and we will evaluate opportunities presented to us. Whilst there are established investments suitable for long term investors such as pension funds, these tend not to be suitable for us. Our investment time horizon is 10 years at most.

5.17 A maximum of £20M would be invested in all such environmental and socially responsible investments.

## 6. <u>Commercial Investments</u>

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

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

## 7. <u>Credit Rating Requirements for Investments</u>

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

7.2 The credit rating of UK borrowers will rarely exceed that of the UK government and consequently a reduction in the credit rating of the UK government may result in credit rating downgrades for a large number of borrowers. Fitch did downgrade the UK government to AA- from AA in March 2020 as a result of the significant weakening of the UK public finances caused by the impact of Covid

19. This UK public finances position are currently seen to be stable and no further downgrades are anticipated at this time.

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

7.4 2021/22 has seen increasing financial pressure on local authorities, with evidence that some may struggle to meet their minimum statutory obligations. The most prominent have been the situations of Slough and Croydon. In addition, some local authorities have been involved in very large investments in order to achieve income.

7.5 There is no legal mechanism for a local authority to go bankrupt or otherwise avoid paying money on loans that were lawfully incurred and there is a legal mechanism to recover loan payments. Irrespective of legalities the practical issue is what would happen if, say, an authority simply did not have the cash to both pay its staff and its loans. In practice, this has never happened.

7.6 Our treasury advisors provide advice on lending to local authorities, and believe that the credit worthiness of most local authorities remains strong.

## 8. **Premature Repayment of Debt**

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

8.2 The reasons why our debt has 26 to 55 years to run are historic and reflect past circumstances and government policies at that time. In current circumstances, we would prefer a more even spread of repayment dates, and may use premature repayment to achieve this if possible. Another option is to repay using our cash balances.

8.3 We 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.

8.4 We would evaluate any other options that became available.

## 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, by repaying 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. **Treasury Management Advisors**

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

## 11. **Leasing**

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

## 12. **Financial and Legal Implications**

12.1 The proposals are in accordance with the Council’s statutory duties under the Local Government Act 2003 and statutory guidance, and comply with the CIPFA Code of Practice on Treasury Management. The strategy requires full Council approval.

## 13. **Background Papers**

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

CIPFA – “Treasury Management in the Public Services, guidance notes for local authorities including police forces and fire and rescue authorities 2018 edition”.

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

Treasury Policy. Report to Council 19th February 2020.

14. **<u>Author</u>**

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**Appendix A**

## Treasury Limits for 2022/2023

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 2022/23 and for the remainder of 2021/22 are:-

| | £m |
|---|---|
| Borrowing | 300 |
| Other forms of liability | 175 |
| Total | 475 |

4. "Other forms of liability" relates to loan instruments in respect of PFI schemes and to pre-unitary status debt managed by the County Council (and charged to the City Council).

5. The Council is also required to set an "operational boundary" on borrowing which requires a subsequent report to scrutiny committee if exceeded. The approved limits recommended for 2022/23 and for the remainder of 2021/22 are:

| | £m |
|---|---|
| Borrowing | 245 |
| Other forms of liability | 145 |
| Total | 390 |

6. The boundary proposed is based on our general day to day situation and is not absolute as there may be good, usually temporary, reasons to breach it. Its purpose is to act as a warning signal to ensure appropriate scrutiny.

7. A change in accounting policies that comes into effect in 2022/23 in relation to operating leases means that these items come onto the balance sheet and count as capital expenditure. The impact of this has been included in our borrowing limits to allow for this accounting change.

8. The Council has also to set upper and lower limits for the remaining length of outstanding loans that are fixed rate. This table excludes other forms of liability. Recommended limits are:

Upper Limit

| | **£M** |
|---|---|
| Under 12 months | 50 |
| 12 months and within 24 months | 80 |
| 24 months and within 5 years | 140 |
| 5 years and within 10 years | 140 |
| 10 years and within 25 years | 180 |
| 25 years and over | 250 |

We would not normally borrow new loans for periods in excess of 50 years. In practice we don't expect to borrow at all.

Lower Limit

| | **£M** |
|---|---|
| All maturities | 0 |
| | |

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

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

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).

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

**Appendix B**

# Treasury Investment Strategy 2022/23

## 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.

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

## 2. Investment Objectives & Authorised Investments

2.1 All investments will be in sterling.

2.2 The Council's investment priorities are:

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

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

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

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

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

3. **Approved Investments**

| **3.1 UK Banking Sector: Credit Rated Institutions** | | | |
|---|---|---|---|
| Type | **Description** | **Investment Period** | **Controls** |
| General | Covers the largest UK banks and building societies.<br><br>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.<br><br>Other than our bankers (Barclays) no more than £20m will be invested with one institution of which no more than £10m will be unsecured.<br><br>£25m may be lent to Barclays, of which no more than £15m will be unsecured.<br><br>New investments may be agreed up to 4 months advance.<br><br>A list of approved counterparties will be maintained, based on credit ratings. Principally, we use Fitch. New bodies will not be added to the list without the written approval of the Director of Finance.<br><br>Minimum ratings as below. Other market intelligence will also be considered. |
| Unsecured deposits | Banks and building societies regulated within the UK<br><br>Covers non-UK banks operating in the UK and regulated in the UK. | Up to 366 days or such lesser period our advisors recommend | Our advisors have currently recommended a maximum of 100 days for unsecured deposits. This is thus the current maximum period for all unsecured bank deposits. |
| | | 100 days or less. | Long-term rating of BBB+ & short term rating of F2 |
| | | 101 days to 6 months | Long-term rating of A- & short term rating of F2 |

| | | | |
|---|---|---|---|
| | | 6 months to 366 days. | Long term rating of A and short term rating of F1. |
| 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.<br>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.<br><br>Minimum long-term bond rating of AA- |
| REPOs/ Reverse REPOs | This is a deposit with a bank or other financial institution, which is secured on bonds and other readily saleable investments and which will be sold if the deposit it not repaid. | Maximum 1 year. | Judgement that the security is equivalent to, or better than, the credit worthiness of unsecured deposits.<br><br>REPO/Reverse REPO is accepted as a form of collateralised lending. One acceptable basis is the GMRA 2000 (Global Master REPO Agreement) but other documentation may be accepted. Should the counterparty not meet our senior unsecured rating then a 102% collateralisation would be required.<br><br>The acceptable collateral is as follows:-<br><br>• Index linked Gilts (including delivery by value)<br>• Conventional Gilts (including delivery by value)<br>• UK Treasury bills<br>• Corporate bonds (subject to additional due diligence) |

| 3.2 UK Public Sector & Quasi Public Sector | | | |
|---|---|---|---|
| **Type** | **Description** | **Investment Period** | **Controls** |
| General | The UK Government.<br><br>UK local authorities, including Transport for London (TFL), and bonds issued by the UK Municipal Bonds Agency.<br><br>Bodies that are very closely linked to the UK Government or to local government such as Cross Rail. | | No more than £300M to be lent to local authorities (as defined in the first column). No more than £20M to be lent to any one local authority.<br><br>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.<br><br>No limit on amounts lent to the UK Government.<br><br>New investments may be agreed up to 4 months in advance.<br><br>In practice, we will be guided by our treasury advisors' views on appropriate investment periods. |
| Deposits | Deposits with Local Authorities and the UK Government. | Up to 6 years for the UK Govt. and up to 3 years for LA's. | Our judgement is that most local authorities are of high credit worthiness and that the law provides a robust framework to ensure that all treasury loans are repaid. However, should the occasion arise, we would have regard to adverse news or other intelligence regarding the financial standing of an individual local authority, including information which is provided by the Council's Treasury Advisors. Maximum periods for loans to local authorities will not exceed limits recommended by our treasury advisors. |
| Bonds – Local Authority | Bonds issued by local authorities. | Up to 3 years. | |
| Bonds – UK Municipal Bond Agency | Bonds issued by local authorities collectively through the UK Municipal Bonds Agency. | Up to 6 years. | Minimum A+ credit rating.<br><br>The agency has had very limited success in lending though that may change in the future and until established the number of underlying borrowing local authorities will be low. When investing with the agency we will look at the underlying exposure to individual authorities when these are material and take into account existing exposures to those authorities. |

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

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

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

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| | | | |
| 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.<br><br>Fitch rating of AAf (or equivalent).<br><br>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).<br><br>No more than £20M in any one fund.<br><br>No more than £50M in total in money market plus/cash plus funds/short dated bond funds.<br><br>We will "drip feed" money that we invest rather than investing it all at once. |

| **3.5.2 Pooled Investments – Longer Dated Investments** | | | |
|---|---|---|---|
| **Type** | **Description** | **Investment Period** | **Controls** |
| General | Longer dated investments expose us to the risk of a decline in value, but also provide an opportunity to achieve higher returns. | | No more than £50m to be invested in all fund types listed in this table section 3.5.2. This limit applies within the global limit for pooled investments (£180m).<br><br>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, typically, with an upper 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). We may consider unrated funds on the recommendation of our Treasury Advisors.<br><br>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.<br><br>The base investments are loans to borrowers of good credit worthiness.<br><br>The investment we would make would be in a pooled investment containing a number of such securitised investments.<br><br>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).<br><br>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.<br><br>No more than £10M to be invested in any one fund. |

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| Property Funds | The underlying investments are mainly direct holdings in property, but our investment is in a pool of properties.<br><br>Whilst the funds normally have a small cash balance from which to fund redemptions the bulk of the funds are held in direct property investments. On occasions redemptions will not be possible until a property has been sold.<br><br>Funds may have the power to borrow. | Generally have access with three months' notice but normally would wish to hold for at least five years. | No more than £30M to be invested in property funds in total. |
| Diversified Investment Funds | The underlying investments are a mixture of mainly equities, government gilts, corporate bonds and property which are also diversified geographically.<br><br>Whilst the funds normally have a small cash balance from which to fund redemptions. | Generally have access with three months' notice but normally would wish to hold for at least five years. | No more than £20M to be invested in diversified investment funds in total. |

4. **Business Models**

4.1 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.

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MINUTE EXTRACT
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Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 10 FEBRUARY 2022 at 5:30 pm

P R E S E N T:

Councillor Cassidy (Chair)

Councillor Gee
Councillor Halford
Councillor Joel
Councillor Joshi
Councillor Kitterick
Councillor Porter
Councillor Thalukdar
Councillor Westley

In Attendance

| | |
|---|---|
| Sir Peter Soulsby | City Mayor |
| Councillor Piara Singh Clair | Deputy City Mayor |
| Councillor Elly Cutkelvin | Assistant City Mayor |

* * *   * *   * * *

**72. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**73. DECLARATIONS OF INTEREST**

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

Councillor Westley declared an interest in agenda items to be discussed that family members were council tenants.

Councillor Halford declared an interest in agenda items to be discussed that family members were council tenants.

Councillor Joshi declared an interest in the agenda items to be discussed that his wife worked for the Reablement Team, Leicester City Council.

Councillor Thalukdar declared an interest in agenda items to be discussed that

a family member was a council tenant.

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

**84. TREASURY MANAGEMENT STRATEGY 2022/23**

The Chief Operating Officer submitted a report that proposed a strategy for managing the Council's borrowing and cash balances during 2022/23 and for the remainder of 2021/22 (Treasury Management Strategy). Members of the Overview Select Committee were recommended to note the report and make any comments to the Chief Operating Officer that they wished, prior to Council consideration.

The Head of Finance presented the report and it was noted the strategy set out how the Council would manage its cash balances and borrowing throughout the year. It was reported there were no significant changes to the report.

The Chair noted the report.

AGREED:

1. That the report be noted.

# City Council Decision

## Investment Strategy 2022/23

Decision to be taken by: City Council

Overview Select Committee: 10th February 2022

Council: 23rd February 2022

Lead director: Alison Greenhill,

Chief Operating Officer

**Useful information:**

- 
- Report authors: Amy Oliver<br>Nick Booth
- Author contact details: amy.oliver@leicester.gov.uk<br>Nick.booth@leicester.gov.uk

## 1. Purpose of Report

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

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

## 2. Summary

2.1 Government guidance requires the Council to approve an investment strategy. This requirement has arisen because of Government concerns about some authorities borrowing substantial sums of money to invest in commercial property (sometimes a multiple of their net revenue budget).

2.2 The requirement to have an overarching investment strategy was introduced from 2019-20 onwards, so this is the fourth such report.

2.3 For the purposes of this strategy, an investment means any spending, or any interest-bearing loan to a third party which is (at least in part) intended to achieve a return for the Council. It includes advances made to the Leicester and Leicestershire Enterprise Partnership (LLEP) for their purposes, if the Council expects to make a return on the money.

2.4 The Council also invests in pooled property funds. These are funds where large numbers of investors own a part share in a large number of properties, and are professionally managed. Our policy for investment in pooled funds is described in the treasury management strategy, rather than this strategy.

2.5 The strategy excludes investment in new Housing Revenue Account (HRA) dwellings, as this is not done to achieve a return.

## 3. Recommendations

3.1 Members of Overview Select Committee are recommended to note the report and make any comments to the Chief Operating Officer as wished, prior to Council consideration.

3.2 The Council is recommended to approve this Investment Strategy.

4. **<u>Current Investments</u>**

4.1 The Council has approved the following investments which fall within the remit of this strategy.

(a) The Corporate Estate. The purpose of holding the portfolio includes income generation, but also with an eye to providing a range of accommodation for businesses and for ensuring a presence in city centre retail. The properties in the fund are not held to provide accommodation or services to/for the Council. Accounting rules do not require us to treat the properties as investment properties for reporting purposes: however, they are held in part for return and thus fall within the ambit of this strategy. As of 31$^{st}$ March 2021, the portfolio included 374 properties and 1,151 lettable units which were available for commercial lease. It includes industrial units, shops, and other business premises located in the city with some agricultural holdings outside. Much of the estate has been owned by the Council for decades. The total value of the portfolio was estimated as of 31$^{st}$ March 2021 to be £112.8m and all purchases have been fully financed (i.e. there is no outstanding debt). Gross rental income for 2020/21 was £7.48m and the annual contribution to the General Fund was £5.35m. During 2021/22, the Council acquired the Haymarket Shopping Centre for £10 million which should add to these figures when the next valuation of the Corporate Estate is undertaken as of the position on 31$^{st}$ March 2022.

(b) A loan to Leicestershire Cricket Club of £2.45m, to enable the Club to improve its facilities at an interest rate of 5%. The loan is supported by guarantees from the English Cricket Board and repayments are up to date. At the time of writing, £2.3m remains outstanding.

(c) A loan of £1.5m to Ethically Sourced Products Ltd. (of which just under £1.3m remains outstanding). This loan carries a return equivalent to 4% per annum and is due to be repaid by 2025. Repayments of this loan were suspended at the outset of the Covid crisis in 2020, but have now resumed and are up to date.

(d) £10.4m has been spent (with £8.4m prudential borrowing) to fund a hotel development at the Haymarket Shopping Centre and improvements to the lifts and car park, for which the Council has received a revenue generating lease. Expenditure on the scheme is now complete. Income in 2021/22 is expected to be £237k rising to £284k p.a. thereafter.

(e) The Council has also incurred expenditure of £5.3m to deliver 26,400 sq. ft of workspace at Pioneer Park. The scheme has attracted £2.15m of external funding. Prudential borrowing is expected to be £1.7m on the scheme. The medium-term impact on the Council's revenue budget was expected to result in a net surplus of approximately £100k p.a. but early indications after it opened are positive so the net surplus may actually be slightly better.

4.2 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.

4.3 A good example of a successful outcome was a loan of £4m made to support the relocation of Hastings Insurance to premises next to the railway station which 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.

## 5. The Council’s Overall Approach

5.1 The Council facilitates investment which enables us to reduce reliance on returns from cash (the treasury management strategy) and at the same time put to use sums to benefit the people of Leicester. However, the Council acknowledges the risk associated with such investment, and will ensure it is not left hostage to changing market fortunes.

5.2 The Council is prepared to take greater risks in the furtherance of this strategy than it would be with the treasury management strategy: this is because investment will never take place primarily to generate a financial yield.

5.3 The Council’s priorities for investment are:-

(a) Security of capital – notwithstanding the above, this is the paramount consideration;

(b) Yield (the return on investments) - this is important, but secondary to ensuring our capital is protected;

(c) Liquidity (ability to get money back when we want it) – this is the lowest priority, and the Council accepts that such investments are less liquid than treasury management investments. We can live with this, because individual investments are small scale compared to the overall size of the Council. We have other (treasury) investments which are kept for liquidity: these exceed the value of our external debt.

5.4 Property acquired under this investment strategy will be located:-

(a) In the case of the Corporate Estate, within the boundary of LLEP (usually, within the city);

(b) If acquired for economic regeneration purposes, within or at the perimeter of the LLEP area;

(c) 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 farms – 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).

5.5 Individual investments can be funded by any of the following (or combination of the following):-

(a) Grants/contributions from third parties (including LLEP) where the funding is provided at the third party's risk;

(b) Capital or revenue monies held by the Council;

(c) Prudential borrowing, and contributions from third parties where the Director of Finance deems the substance of the investment to be at the Council's risk (e.g. income strips). In practice, "prudential borrowing" is unlikely to require genuine external borrowing as we have sufficient cash balances (as described in the treasury management strategy). Prudential borrowing is best seen as a permission to borrow externally, should we need to. This category includes prudential borrowing in anticipation of future business rates growth in Enterprise Zones.

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

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

| | **£m** |
|---|---|
| On commercial or industrial property it already owns or will own. | 100 |
| For loans to third parties | 20 |
| To fund Enterprise Zone projects | 30 |
| For other investments | 40 |

5.8 The Council will not have more than £130m of exposure in respect of all activity covered by this strategy. Thus it is not possible to reach the maxima in all the above categories.

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

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

5.11 Where the Council has an option of utilising third party contributions at the Council's risk, the Director of Finance will determine whether or not this represents value for money as an alternative to prudential borrowing.

## 6. **What we invest in and how we assess schemes**

6.1 Decisions to invest will be taken in accordance with the usual requirements of the constitution. Executive decisions will be subject to normal requirements regarding notice and call-in. All decisions to use prudential borrowing require the approval of the City Mayor. The criteria below set normal expectations for investment decisions, but it is impossible to provide a framework for all potential opportunities: we do not know what might be available in the future. The City Mayor may approve investments which do not meet the criteria in this section 6 (the limits at section 5 will not be exceeded), but if he does so:-

(a) The reason will be reflected in the decision notice;
(b) The decision will be included in the next refresh of this strategy.

6.2 All proposals will be subject to a financial evaluation, signed by the Director of Finance. This will calculate expected return (see below), assess risk to the Council's <u>capital invested,</u> and ability to repay any prudential borrowing. The evaluation must therefore give evidence of a financially robust proposal, regardless of the other merits. The results of the evaluation will be reported in the decision report. For small purchases of property within the Corporate Estate Fund, a more streamlined evaluation can be prepared. Where the use of third-party contributions at the Council's risk is recommended, as an alternative to prudential borrowing, the assessment of this method of financing will be included in the evaluation.

6.3 Any investment for economic development purposes will accord with the Council's adopted strategies, except for early stage expenditure in contemplation of a new strategy.

6.4 The maximum <u>prudential borrowing</u> permitted for any given capital scheme will be £10 million. If the Council wanted to borrow more than £10 million on any particular scheme, it would be subject to a specific report to full Council.

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

6.6 The Council will look for a return on its capital invested, although this can be lower than a bank would seek (reflecting our cost of funds, and the expected service benefits). Except where a purchase is solely to improve the financial performance of the Corporate Estate, return will be measured by net present value (disregarding external contributions):-

(a) The usual yardstick for investment is that, on a prudent estimate of costs and income, investments must make a positive return when discounted at 3% per annum. A higher return may be sought where a project is riskier than normal;

(b) Where reasonably certain, growth in retained business rates can be included in the calculation of NPV until the date of the next national reset (although rates growth will continue to be accounted for as rates income, and not earmarked);

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

6.7 The City Mayor may take a conscious decision to accept lower returns for service or environmental reasons; (an alternative way of looking at this is to say that the Council will sometimes choose to accept modest returns instead of providing something at its own expense for service and/or environmental reasons). Such a decision will be transparent and recorded in the decision notice.

6.8 The following are deemed to be suitable investments:-

(a) Acquisition of commercial or industrial property;
(b) Construction or development of commercial or industrial property;
(c) Construction or development of non-HRA housing;
(d) Acquisition of land for development;
(e) Infrastructure provision at key development sites;
(f) Investments to support the Leicester and Leicestershire Enterprise Partnership;
(g) Loans to businesses to support economic development;
(h) Acquisition or construction of low carbon energy investments.

6.9 All investments and loans must be compliant with Government's subsidy control rules. Investments must also not be made primarily for an income return (though a decent income return is to be encouraged) but investments must also have another purpose such as promoting economic development.

6.10 Acquisition of commercial or industrial property can be considered where:-

(a) There is a tenant of sufficient quality; or strong evidence of market demand for the property (e.g. identified end use, or small tenanted units with a ready supply of prospective tenants); or the property generates other reasonably assured income; and

(b) There is the prospect of capital appreciation and a ready market for the Council's interest (or there will be a ready market at the end of the investment period); and

(c) There are either economic development or service reasons why the city would benefit from the council's ownership, or the acquisition improves the performance of the Corporate Estate. An example of economic development reasons might be to facilitate a significant business relocation to the city or surrounding area.

6.11 Construction or development of commercial or industrial property can be considered where the asset constructed or developed would generate a continuing income stream, and have a readily realisable capital value. Whilst a pre-let is regarded as highly desirable, a benefit of Council involvement is that strategically important development can be secured which would not attract normal commercial finance. New grade A office space is a key example. It is, however, essential that the Council can be confident of a return on its capital invested, and an NPV shall be calculated using prudent assumptions of any void periods.

6.12 Acquisition of land for development can be considered for strategic regenerative land assembly schemes, subject to the proviso that future development is planned and fundable:-

(a) The Council's return will usually arise from an appreciation in land values and this must be reasonably assured with a ready market;

(b) This type of investment is riskier than the acquisition of tenanted property, and a higher return would normally be sought.

6.13 The availability of other public funding to secure development will improve the acceptability of such proposals, as this will increase the return on the Council's capital invested.

6.14 Infrastructure provision at key development sites can be considered where development can be catalysed by provision of site infrastructure:-

(a) Investment can be considered where future disposals can be assumed with a reasonable degree of confidence; and

(b) Developments unlock strategic housing or commercial development on economic growth sites, or contribute towards bringing forward linked developments.

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

6.16 Loans to businesses can be made at attractive rates (when compared to bank finance) for proposals which facilitate economic development, and where the Council can be confident that the money will be repaid. The following criteria will be applied:-

(a) Loans would normally be repayable within 10 years (or the Council has an asset which is readily realisable within that period, whether we choose to realise it or not);

(b) A minimum loan value of £100,000 will apply;

(c) Proposals must demonstrate that they are viable, i.e. there is a reasonable expectation that the capital and interest will be repaid;

(d) Security will usually be obtained (and always for higher value loans).

6.17 Low Carbon Energy Investments which help to reduce climate change can be considered. Any such investment will still be expected to make a positive return, though in making the investment the Council will consider the environmental and social benefits as well as the financial return.

## 7. Monitoring of Investments

7.1 Except where the City Mayor decides that an investment can be monitored in aggregate as part of the Corporate Estate, the following measures will be used to monitor performance of all investments. Performance will be reported annually:-

(a) Achieved return on capital invested;

(b) Capital appreciation;

(c) Timely receipt of returns;

(d) Jobs or other outputs created.

7.2 The monitoring and performance of the Corporate Estate will be reported separately as part of the Corporate Estate Annual Report. As a minimum, the report will include the following performance indicators:-

(a) Voids;

(b) Gross return;

(c) Net return;

(d) Capital appreciation.

7.3 The Corporate Estate will be monitored in its entirety. Measures for individual acquisitions are not set.

## 8. Capacity, Skills and Culture

8.1 The Council employs professional accountants who are skilled in carrying out investment appraisals, as well as regeneration, economic development and property specialists. Nonetheless, the more complex schemes will require external support to enable thorough due diligence to be undertaken and business cases to be developed and assessed. External specialists will work with Council clients to ensure they understand the public service dimension of the Council's business.

8.2 The Council will use whatever presentation techniques are appropriate when decisions on individual investments are sought; these will in particular focus on the risk assessment.

## 9. Financial and Legal Implications

9.1 The proposals are in accordance with the Council's statutory duties under the Local Government Act 2003, and statutory guidance.

## 10. Background Papers

10.1 CIPFA – Treasury Management in the Public Services, Code of Practice and cross sectoral guidance notes 2021 edition.

10.2 MHCLG – Statutory Guidance on Local Government Investments (3rd Edition) (2018).

10.3 HM Treasury – Public Works Loan Board future lending terms November 2020.

## 11 Author

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Amy Oliver – 0116 454 5667, amy.oliver@leicester.gov.uk

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MINUTE EXTRACT
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Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 10 FEBRUARY 2022 at 5:30 pm

P R E S E N T:

Councillor Cassidy (Chair)

Councillor Gee
Councillor Halford
Councillor Joel
Councillor Joshi
Councillor Kitterick
Councillor Porter
Councillor Thalukdar
Councillor Westley

In Attendance

| | |
|---|---|
| Sir Peter Soulsby | City Mayor |
| Councillor Piara Singh Clair | Deputy City Mayor |
| Councillor Elly Cutkelvin | Assistant City Mayor |

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**72. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**73. DECLARATIONS OF INTEREST**

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

Councillor Westley declared an interest in agenda items to be discussed that family members were council tenants.

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Councillor Joshi declared an interest in the agenda items to be discussed that his wife worked for the Reablement Team, Leicester City Council.

Councillor Thalukdar declared an interest in agenda items to be discussed that

a family member was a council tenant.

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

**85. INVESTMENT STRATEGY 2022/23**

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

The Head of Finance presented the report. It was noted the Strategy focussed on the borrowing that may be undertaken during the year where a return was expected on the monies. It was reported there were no significant changes to the report.

The Chair noted the report.

AGREED:

1. That the report be noted.