Leicester
City Council

SPECIAL MEETING OF THE OVERVIEW SELECT COMMITTEE

DATE: **THURSDAY, 22 JUNE 2017**
TIME: **5:30 pm**
PLACE: **Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ**

Members of the Committee

Councillor Singh (Chair)
Councillor Govind (Vice-Chair)

Councillors Cank, Cutkelvin, Grant, Khote, Malik, Dr Moore, Newcombe, Porter and Unsworth

Youth Council Representatives

To be advised

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

J Harget

For Monitoring Officer

Officer contacts:

Julie Harget (Democratic Support Officer),
Tel: 0116 454 6357, e-mail: julie.harget@leicester.gov.uk
Leicester City Council, Granby Wing, 3rd Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ

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Further information

If you have any queries about any of the above or the business to be discussed, please contact: **Julie Harget, Democratic Support Officer on 0116 454 6357**. Alternatively, email julie.harget@leicester.gov.uk, or call in at City Hall.

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PUBLIC SESSION

AGENDA

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

3. REVENUE BUDGET MONITORING OUTTURN 2016 / 2017 — **Appendix A**

The Director of Finance submits a report that sets out the Council's financial performance against its revenue budget in the financial year 2016/17. The Overview Select Committee is recommended to consider the overall position presented within this report and make any observations it sees fit.

4. CAPITAL BUDGET MONITORING OUTTURN 2016 /2017 — **Appendix B**

The Director of Finance submits a report that shows the capital programme at the end of the financial year 2016/17. This is the fourth and final report of the financial year. The Overview Select Committee is recommended to consider the overall position presented within this report and make any observations it sees fit.

5. INCOME COLLECTION APRIL 2016 - MARCH 2017 **Appendix C**

The Director of Finance submits a report that details progress made in collecting debts raised by the Council during 2016/17, together with debts outstanding and brought forward from the previous year. The report also sets out details of debts written off under delegated authority that it has not been possible to collect after reasonable effort and expense. The Overview Select Committee is recommended to consider the overall position presented within this report and make any observations it sees fit.

6. REVIEW OF TREASURY MANAGEMENT ACTIVITIES 2016 / 17 **Appendix D**

The Director of Finance submits a report that reviews how the Council conducted its borrowing and investments during 2016 / 17. Members of the Overview Select Committee are recommended to note the report and make any comments to the Director of Finance and the Executive as they wish.

Appendix A

Revenue Budget Monitoring – Outturn, 2016/17

Decision to be taken by: City Mayor

Executive meeting date: 25th May 2017

Overview Select Committee date: 22nd June 2017

Lead director: Alison Greenhill

Useful information

- ■ Ward(s) affected: All
- ■ Report author: Amy Oliver
- ■ Author contact details: Ext 37 5667

1. Summary

The purpose of this report is to set out the Council's financial performance against its revenue budget in the financial year 2016/17. Given the scale of Government funding cuts, departments have inevitably been under pressure to provide services with less funding. The outturn position is largely consistent with forecasts presented during the year and the main issues have been highlighted in previous monitoring reports.

The key issues during 2015/16 were the overspending in Adults Social Care and Children's Services. These were recognised in the 2016/17 budget, and consequently £14m was added to the budget for adult care and £3m to the budget for Children's Social Care.

Inevitably the main concern during 2016/17 was to manage these services within budget, and it is pleasing to report that this has been the case. The £3m contingency in the 2016/17 budget was not therefore required.

The Councils budget strategy has relied on the delivery of spending review savings. During 2016/17, £3.6m has been saved during the year, and this has been added to the money available for the managed reserve strategy. This extends the period over which reserve can be used to reduce the impact of budget cuts.

The medium-term financial outlook is extremely difficult as funding cuts continue. Managing spending pressures will be crucial to living within our means in the future along with achieving spending review targets.

2. Recommendations

2.1 The Executive is recommended to:

- Note the outturn position detailed in the report.
- Approve the following transfers to earmarked reserves
  - a) savings within the Corporate Resources department as set out in Appendix B, Para's 1.1, 2.1, 3.1, 4.2
  - b) the overall underspend in City Development & Neighbourhoods of £20k is transferred to the divisional reserve
  - c) savings in Adult Social Care as set out in Appendix B, Para 12.9, subject to uses of the new fund being subject to a formal decision based on individual business cases;
  - d) one-off saving in Adult Social Care shown at Appendix A is transferred to managed reserves

e) savings in Public Health & Sports Services to a departmental reserve to enable initiatives to support the service in achieving its savings targets in Appendix B, Para.13.8
f) savings in Corporate budgets to fund the Economic Action Plan in Appendix B, Para.18.6

- Approve the following budget reductions consequent to spending reviews;
  a) reductions to the Neighbourhoods and Environmental Services budget of £12.5k in 2017/18 rising to £271k in 2018/19, in respect of Regulatory Services and Community Safety as detailed in Appendix B, paragraph 8.2.
  b) reductions in Public Health & Sports Services budget of £245k in 2017/18, in respect to Sexual Health Services as detailed in Appendix B, paragraph 13.9.
  c) reductions in Public Health & Sports Services budget of £350k in 2017/18, in respect of savings in Lifestyles Services as detailed in Appendix B paragraph 13.10.

2.2 The OSC is recommended to:

- Consider the overall position presented within this report and make any observations it sees fit.

3. Supporting information including options considered:

The General Fund budget set for the financial year 2016/17 was £263.2m.

Appendix A details the performance of General Fund services against the budget for 2016/17.

Appendix B provides more detailed commentary on the outturn position for each area of the Council's operations.

Appendix C provides detail of balances on earmarked reserves for 2016/17

4. Financial, legal and other implications

4.1 Financial implications

This report is solely concerned with financial issues.
Alison Greenhill, Director of Finance, Ext 37 4001

4.2 Legal implications

There are no legal implications arising directly from the recommendations of this report.
Emma Horton, Head of Law (Commercial, Property & Planning)

4.3 Climate Change and Carbon Reduction implications

This report is solely concerned with financial issues.

4.4 Equality Impact Assessment

No Equality Impact Assessment (EIA) has been carried out as this is not applicable to a budget monitoring report.
Surinder Singh, Ext 37 4148

4.5 Other Implications

Other implications	**Yes/No**	**Paragraph referred**
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/People on low income	No	-
Corporate Parenting	No	-
Health Inequalities Impact	No	-

No other implications are noted as this is a budget monitoring report, and therefore no policy changes are proposed.

5. Background information and other papers.

Report to Council on the 24th February 2016 on the General Fund revenue budget 2016/17.

Period 6 Monitoring report and minutes of OSC Finance task group presented to OSC on 13th December 2016

Period 9 Monitoring report and minutes of OSC Finance task group presented to OSC on 6th April 2017.

6. Summary of appendices:

Appendix A – Outturn Summary;

Appendix B – Divisional Narrative – Explanation of Variances;

Appendix C – Earmarked Reserves Year End Balances.

7. Is this a private report?

No

APPENDIX A

General Fund Revenue Budget

Budget Monitoring Summary 2016/17 -Outturn

	Current Budget for Year	Outturn	Variance over (under) spend
	£000	**£000**	**£000**
Planning,Development & Transportation	17,381.0	17,381.0	0.0
Tourism, Culture & Inward Investment	6,596.0	6,596.0	0.0
Neighbourhoods & Environmental Services	30,598.9	30,598.9	0.0
Estates & Building Services	8,966.8	8,966.8	0.0
Fleet Management & Departmental Overheads	730.8	730.8	0.0
Housing Services	4,056.7	4,056.7	0.0
City Development and Neighbourhoods	**68,330.2**	**68,330.2**	**0.0**
Adult Social Care	**102,414.6**	**100,850.2**	**(1,564.4)**
Health Improvement & Well-being	**23,360.8**	**23,360.8**	**0.0**
Strategic Commissioning & Business Development	678.1	678.1	0.0
Learning Quality & Performance Services	8,564.3	8,564.3	0.0
Children, Young People & Families	59,131.0	59,131.0	0.0
Departmental Resources	(10,129.9)	(10,129.9)	0.0
Education & Children's Services	**58,243.5**	**58,243.5**	**0.0**
Financial Services	11,795.4	11,545.4	(250.0)
Human Resources	4,262.8	4,012.8	(250.0)
Information Services	10,084.6	10,084.6	0.0
Delivery Communications & political Governance	5,637.8	5,387.8	(250.0)
Legal Coronial & Registrars	2,017.1	2,017.1	0.0
Corporate Resources and Support	**33,797.7**	**33,047.7**	**(750.0)**
Housing Benefits (Client Payments)	**527.6**	**(938.8)**	**(1,466.4)**
Total Operational	**286,674.4**	**282,893.6**	**(3,780.8)**
Corporate Budgets	13,317.5	8,142.3	(5,175.2)
Capital Financing	13,300.3	12,581.8	(718.5)
Total Corporate & Capital Financing	**26,617.8**	**20,724.1**	**(5,893.7)**
Public Health Grant	(28,214.0)	(28,214.0)	0.0
Use of Reserves	(21,904.7)	(21,904.7)	0.0
TOTAL GENERAL FUND	**263,173.5**	**253,499.0**	**(9,674.5)**

Outturn Divisional Narrative – Explanation of Variances

Corporate Resources and Support

1. Finance

1.1. The Financial Services Division underspent by £570k, due to the early delivery of spending review savings, including vacant posts. It is proposed to transfer £320k to the divisional reserve and the £250k residual underspend to the channel shift reserve.

2. Human Resources & Workforce Development

2.1. Human Resources & Workforce Development underspent by £549k. Of this £350k relates to staffing vacancies across all the main HR Teams, some of which have proved difficult to recruit to. A proportion of these vacancies have been held in order to contribute to the spending review of Administration across the Council. In addition, HR has underspent budget for the commissioning of organisational learning and development, pending a review. Additional income has been generated via trading with schools. It is proposed to transfer £299k to the divisional reserve and the £250k underspend to the Transformation Fund for future reviews.

3. Information Services

3.1. Information Services underspent by £705k. This is primarily due to the early delivery of spending savings. Further savings were achieved through negotiations with external suppliers and the retendering of contracts, together with cessation and changes in service provision. It is proposed that the underspend should be transferred to the IT reserve to help meet pressures in 2017-18, where £1.2m of savings are required to meet the spending review target and to continue to fund the replacement and upgrade of the councils IT infrastructure.

4. Delivery Communications & Political Governance

4.1. Delivery, Communications and Political Governance underspent by £1.09m. This includes £260k arising from vacancies and reductions in running costs relating to the civic and democratic services spending review which it was anticipated would be removed from the budget in-year but will instead be actioned for the new financial year. Efficiencies in the Individual Electoral Registration (IER) process resulted in not all of the allocated funding being required.. Community Languages achieved a higher than expected income of £85k. A £100k underspend related to the divisional VCS spend where a number of contracts are currently subject to review, and a £100k underspend related to strategic management costs including corporate subscriptions and memberships. A £0.3m one-off underspend was identified during the year-end accounting procedures relating to the formerly traded element of the communications and marketing function (i.e. graphic design, print and photography). In addition the division has held vacancies which will contribute to the spending review of administration across the Council.

4.2. £288k has been used to cover an overspend on Coronial & Registrars (see below). It is proposed that £250k underspend be transferred to the Channel Shift reserve with the remaining balance £449k going to the divisional reserves in part to fund graduates and apprenticeships in future years.

5. Legal, Registration & Coronial Services

5.1. The Legal Services budget underspent by £31k.

5.2. Coronial & Registrars overspent by £288k due to the previously reported pressures on the budget from legislative changes. This will be covered by the Delivery Communications & Political Governance underspends.

<u>City Development and Neighbourhoods</u>

The department underspent by £20k on a net budget of £68.3m, which will be transferred to divisional reserves.

6. Planning, Development and Transportation

6.1. A number of pressures were managed including significant rating revaluation of the Victoria Park/Granville Road car park and increased costs of pot hole repairs by drawing on energy cost savings and additional income form Bus lane enforcement. The division managed to stay close to budget.

7. Tourism, Culture & Inward Investment

7.1. As expected, the division overspent by £270k, largely due to reductions in income whilst the Leicester Market redevelopment works continued. Some additional costs were incurred on initiatives to drive inward investment of businesses and jobs into the city. These overspends were offset by savings elsewhere in the department.

8. Neighbourhood & Environmental Services

8.1. In year changes in waste disposal regulations unexpectedly increased landfill tax costs leading, with other additional pressures, to a shortfall in budget of £327k. The pressures at the Gypsum Close facility continued and Gilroes Cemetery income continues to be affected by the opening of new facilities in the county. There was also additional required spending in terms of tree works and food safety. Some of these pressures will continue into the future (for example, increased landfill tax costs, income pressures at Gypsum Close and Gilroes) and are to be addressed within the department to realign/ensure the budget is sustainable. This overspend was covered by savings within the department.

8.2. Measures will be taken to eliminate budget pressures in Regulatory Services of £206k due to historical unrealised income targets that do not reflect the current market and required increased spending on Food Safety provision as indicated above. In-year pressures can occur from the cost of enforcement action via the courts, where the timing and amount of cost recovery is uncertain. In addition to this there are savings required by the spending review programme of £271k. Savings and budget pressure measures will be delivered mid 2017/18 and are being considered to be addressed by ceasing the provision of discretionary services such as training, business advice and accommodation certificates; and reconfiguring the services provided by Noise & Pollution Control, Building Control, Trading Standards, Leicester Anti-Social Behaviour Unit, Community Safety Team and support services. Total spending review savings planned by Regulatory Services now amount to £423k.

9. Estates & Building Services

9.1. The Division underspent by £260k, largely from savings on the costs of running city centre administrative buildings and achieving higher fees than anticipated from trading.

10. Housing General Fund

10.1. The Housing General Fund budget is underspent by £325k as expected, mainly due to staff savings. There were a number of vacancies in the Housing Options team which also delivered running cost savings.

10.2. £60k was saved from better use of the private rented sector to accommodate homeless families, rather than expensive bed and breakfast arrangements.

10.3. As part of the Homelessness spending review, £191k has been saved in 2016/17 through the streamlining of processes and by not recruiting to vacant posts.

11. Housing Revenue Account

11.1. The Housing Revenue Account (HRA) is a ring-fenced income and expenditure account relating to the management and maintenance of the Council's housing stock.

11.2. The HRA underspent by £4.7m, excluding revenue for capital financing which is reported separately in the capital monitoring report.

11.3. Actual rental income was £0.5m less than budget, as reported at period 9. This was due to the loss of £0.8m rental income mainly from higher than expected Right to Buy sales, partially offset by delays to the agreed transfer of shops to the General Fund such that the rental income continued to accrue to the HRA. However, a one-off benefit of £1.7m arose from a financial year-end review of the bad debt provision and lower than budgeted write-offs. Provisions had originally been increased because of the significant welfare changes. Therefore the overall outturn shows income of £1.2m more than the budget.

11.4. The Repairs and maintenance service underspent by £1.5m. The majority of this (£0.8m) relates to vacancies, both before and after the restructuring of the service, which were higher than expected. Expenditure on materials was £0.5m lower than budgeted, with a further £0.2m from fuel costs for fleet vehicles. There may be a knock-on effect into 2017/18 as outstanding works are completed.

11.5. Management and Landlord Services service underspent by £1.9m. Again vacancy management across the service represents a significant share of this being offset by £0.3m of restructuring costs. The underspend was higher than previous forecasts, due mainly to communal heating underspending by £0.6m following the relatively mild winter; and to one-off income from higher than expected Right to Buy Sales.

<u>Adult Social Care</u>

12. Adult Social Care

12.1. The department spent £100.8m, £1.6m less than the budget of £102.4m. The underspend is one off in nature, and reflects steps taken to deliver the significant efficiencies in adult care which are required over the next 3 years.

12.2. Specifically, the underspend arises from savings in staffing costs as the Department has re-structured through a number of significant organisational reviews which completed in 2016/17. These reviews include the creation of a new Enablement Service (formed out of the old in house day centre service) which will prevent or reduce the need for statutory care and a more efficient Contracting and Commissioning function. The Department also has a medium term objective of reducing the size of its care management staff to bring the level more into line with bench mark authorities. There has been a significant focus on productivity of care management staff in the year and a review of business processes to reduce unnecessary or ineffective work. For example reducing hand-offs between teams or duplicated referral and information transfer processes. The department has also focused on reducing its reliance on agency and temporary staffing over the year. The re-structuring will contribute towards the department generating significant savings by 2019/20 as outlined in paragraph 12.11 below.

12.3. As a result of the staffing reviews and restructuring work there have been a number of vacant posts which have not been filled either where reviews are pending, such as in Care Management, or post review, where recruitment to the new structure has not been completed such as in Enablement and Contracts and Commissioning. It is the savings from these vacant posts as the department continues to re-structure which has resulted in the one off underspend in 2016/17.

12.4. Of the £102.4m budget the most significant item is the £94.9m expenditure on independent sector service user care package costs. The level of net growth in long term service users in the year was 1.2% (62 service users from a base at the start of the year of 5,300). This compares to 2.6% (137) in 2015/16. The level of growth in older service users and those with Learning Difficulties were both less than 1%. However growth in those service users with mental health conditions increased by 5.2% (although still only 34 service users).

12.5. The most significant area of cost increase was from net increases in package costs of our existing service users. This occurs when the condition of the user deteriorates, for example through increasing frailty and additional support is required on a short- or longer-term basis. The level of increase this year is higher than last. Increases in individual service user costs continue to be tracked by social work teams to be clear of the reasons why and the appropriateness of the new package being provided.

12.6. The overall impact of the growth in service users and changes in package costs results in an overall growth of 3.7% or £3.4m for the year, compared with 2.9% (£2.4m) in 15/16.

12.7. Reviews of service users are ongoing to ensure that the most appropriate care packages are in place. These reviews have yielded cost savings of £1.3m this year.

12.8. We are still awaiting the outcome of the consultation on the funding which will be made available for local authorities to pay for the accommodation costs in excess of the local housing allowance for tenants of sheltered and supported housing schemes, including Extra Care Housing schemes. The details of the grant allocations will not be known until the autumn 2017. This affects our ability to provide cost effective alternatives to residential care.

12.9. Approval is requested for the transfer of £1.5m to an earmarked reserve which will be used to provide a grant pot which can be used by the voluntary sector for preventative non statutory support in the community of £250k per annum for a three year period, with an option to extend for a further three years.

12.10. Members will recall the significant overspends which arose in 2015/16, which reflected the demand led pressures faced by the department. As part of the Council's 2016/17 budget significant additional funding was provided from Council reserves to address adult social care cost pressures from increasing demand and the effects of the national living wage on provider costs. The Council's budget strategy assumes additional resources will continue to be required for the whole period of the 3 year plan.

The Government has recognised the pressures in adult social care, and has announced some extra funding: this funding is not sufficient to meet the pressures we face. In the Chancellor's budget in March, additional funding was announced amounting to £7.4m in 17/18 and declining thereafter. If the extra funding was added to the money available from the council tax precept (which is reflected in our budget for 17/18), it can be compared to the additional funds made available to the department.

12.11. As the table illustrates there is still a cumulative funding shortfall for the Council of nearly £26m by 2019/20. The Council has funded the shortfall to date and will continue to do so until this is no longer possible and a more sustainable position is reached. The additional funding from the Council is net of £9.5m of savings which the department will achieve by 2019/20 and this includes the re-structuring work mentioned in paragraph 12.2 above.

	2016/17 £m	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Income from Social Care Council Tax Precept	2	5	8	8
Improved Better Care Fund (Chancellors budget announcement)	-	7.4	4.5	2.2
Total Additional Funding	**2**	**12.4**	**12.5**	**10.2**
Budget Increase	14	15.6	15.1	18
Cumulative Shortfall	**12**	**15.2**	**17.8**	**25.6**

13. Public Health & Sports Services

13.1 The Department spent £23.4m as per the budget after transferring £1.7m of in year one off underspends to reserves (see 13.8 below).

13.2 In November 2015 the Department of Health announced a series of reductions in the Public Health Grant. £1.6m was cut in 2015/16 and £0.6m in 2016/17 with estimated cuts of £0.7m each in the 2017/18-2019/20. The services provided by this division are almost entirely funded by Public Health Grant and therefore bear the brunt of the reductions.

13.3 The grant cuts in 2015/16 and 16/17 of £2.2m in total have been addressed by reducing spend in a number of areas including weight management in pregnancy, NHS Health-checks, Healthy Tots / Healthy Nurseries programme, reductions in evaluation and intelligence, cuts to smoking and tobacco control, reductions in some alcohol programmes and a workplace health scheme. The 0-19 Healthy Child Programme, which include the city's health visiting and school nursing service has been redesigned and a new contract has been awarded to Leicestershire Partnership Trust. This has included dedicated funding to co-locate key parts of the service in children's centres. . An organisational review of the service's staff has been completed which will save £0.3m on an annual basis out of a total staffing budget of £2.4m. Departmental earmarked reserves have been used to meet severance costs associated with the organisational review.

13.4 There has been lower than expected activity in some elements of the sexual health service which has a budget of £3.6m. The service is funded on a tariff system and there has been an increase in appointments for more complex procedures (including complex contraception) and a reduction in the number of people seen for more routine appointments. As the routine work attracts a proportionately higher payment for the amount of time required to see people than the complex work, the overall cost of the service has fallen this year. The impact of this on key outcomes including waiting times, contraceptive uptake and rates of STIs is being monitored.

13.5 All contracts with GPs for both sexual health and NHS Health Checks (which have a combined budget of £1.3m) are operating below expected activity levels. This is due to reduced capacity in general practice to provide these services. This is under discussion with the City Clinical Commissioning Group.

13.6 As a result of the above there has been a combined underspend of £1.1m across sexual health services and the NHS health check programme.

13.7 There are other underspends including the physical activity programme with the early decommissioning of two weight management contracts and other one off savings from the children's 0-19 service. These total £0.6m resulting in an overall department underspend of £1.7m.

13.8 Approval is requested for the transfer to an earmarked reserve of the in-year underspends of £ 1.7m which will cover a range of initiatives to support the service in achieving its savings targets from 2017/18 onwards.

13.9 It is proposed to remove £245k of budget in 2017/18 in relation to the contract saving for Sexual Health Service with Staffordshire and Stoke on Trent Partnership Trust and GP contracts.

13.10 It is proposed to remove £270k budget in 2017/18 from Lifestyle Services due to reductions in various areas including adult weight management (£100k), early year's healthy eating programme

(£90k) and Child management programme (£50k). This is the consequence of the spending review programme and has largely been achieved by the decommissioning & negotiation of contracts.

Education and Children's Services

14. Education and Children's Services

14.1 The department spent £58.2m as per the budget. Of the £58.2m budget £24.5m relates to placement costs for looked after children (LAC). Numbers of LAC at the end of March 2017 were 660 compared to 638 at the end of March 2016. The total population had remained relatively stable throughout the majority of 2016/17. Whilst there was an increase in the final quarter total, placement costs were less than the budget.

14.2 In terms of controlling placement costs, the approach is to both continually review existing LAC high cost placements for potential 'step down' opportunities to lower cost provision and to use targeted interventions to divert potential new entrants away from care.

14.3 External residential placements cost £7.4m this year compared to £6.5m in 2015/16. There has been a net increase of 6 placements this year, with 44 total placements at the end of December. The level of placements remains an area of concern.

14.4 Where internal foster carers are unavailable or the placement is short-term then more expensive Independent Foster Agency carers (IFAs) are used. There was a net reduction of 4 IFA placements in the year with a total population of 49 at the end of March and a total cost of £1.9m.

14.5 There were a total of 20 unaccompanied asylum seeking children (UASC) at the end of March. It is expected that the UASC grant will substantially cover the direct placement costs if not the additional staffing time and overhead.

14.6 The social work teams are still reliant on agency staff, the impact of which has been included in the budget. At the end of March there were 23 ASYE (Assessed and Supported Year in Employment) level one trainee social workers and 28 level two ASYEs across all of the social work teams in the division, together with 38 FTE qualified social workers and 45 agency staff. Agency staff are needed to support the ASYEs during their training and also to cover for secondments and maternity leave.

14.7 Separate consultations have taken place during the year on revising the Early Help and Children's centre provision and the Youth service in order to address the Department's spending review targets.

15. Schools & Learning Services

15.1. The Government has consulted on sweeping changes to the arrangements for schools' funding. This will include replacement of the local funding formula with a national funding formula, and overhaul of the arrangements for using DSG on anything other than schools' individual budgets. The result of this consultation is awaited.

15.2. Maintained school balances have reduced by £2.8m during 2016/17 from £17.2m to £14.4m. There were 8 schools in deficit in this year compared to 4 in 2015/16 with deficits ranging from £1k to £160k. We are working with these schools to support them in resolving their financial difficulties.

Corporate Items & Reserves

16. Housing Benefit

16.1. Every year, the Council makes payments of around £150m to Housing Benefits claimants, based on their individual circumstances. This is a crucial support to enable people on low incomes to meet their housing costs.

16.2. Housing Benefit payments made by the Council to claimants are reimbursed by the Government, except where subsequently discovered to have been paid in error. In these cases, subsidy is paid at a reduced rate, but the Council is able to retain any monies recovered from claimants. Most overpayments are due to claimant error, often arising because they have not told us of changes in their circumstances.

16.3. Where the overpayment is due to claimant error, subsidy is received for 40% of the value of the overpayment; the Council must therefore recover at least 60% of the value of such overpayments (on average) if we are not to lose money. Where claimants are still receiving benefits, recovery can be made through a payment plan deducted from their ongoing benefits, although this can take a long time to fully repay the debt. Where there is no ongoing payment of benefits, recovery can inevitably be difficult.

16.4. Compounding the issue is the continued need to set aside resource for subsidy disqualified following audit. This is a constant issue arising from past audits necessitating much more testing at Leicester than at other authorities. However, there is now cause for optimism that this is improving. Subsidy audits for 2014/15 and 2015/16 have now been completed and the amount repayable was significantly less than previously experienced. This is a result of improving processes and means no provision will be needed in 2016/17. It is hoped this pattern is now established and will result in lower provisions in future. Overpayment performance is also improving, as can be seen from the report on income collection elsewhere on your agenda.

16.5. Temporary staff, continue to be employed to help pursue overpayments at an early stage.

16.6. The overall position is a saving on this budget of £1.5m.

17. Discretionary Housing Payments

17.1. The government provides each local authority with a ring-fenced fund to enable additional financial assistance to be provided to claimants in receipt of either Housing Benefit (HB) or Universal Credit (UC) who are facing additional financial difficulties to help them meet their housing costs. The DHP fund allocated to Leicester for the financial year 2016/17 was £780,900. LA's are permitted to use their own funds to top up their Government contribution by an additional 150%.

17.2. Historically our DHP spend has been contained within the grant allocation however for the first time the DHP grant the awards granted exceeded the grant allocated by £50k. This overspend has been met from the Welfare Reform Reserve.

18. Corporate Items

18.1. The corporate budgets cover the Council's capital financing costs and items such as audit fees, bank charges and levies which it is not appropriate to include in departmental budgets.

18.2. Given the difficult financial climate, the 2016/17 budget includes a general contingency of £3m to help the Council manage both anticipated and unforeseeable risks. As anticipated at Period 9 this was not required and has increased the total underspend accordingly.

18.3. Since setting the budget, additional spending review savings have been approved, totalling £3.6m. This includes savings from the Homelessness review of £0.2m, approved since the Period 9 report was presented. This has contributed to the managed reserves strategy and increased amounts available to support the 2017/18 budget (in line with the Council's budget strategy).

18.4. Disregarding spending review savings which are committed to the 2017/18 budget, Housing Benefits and the general contingency, other underspends total £2.8m, slightly more than reported at Period 9.

18.5. Key reasons for this underspend are savings in capital financing as a result of higher investment income through better investment rates and by holding higher cash balances (£718k). Carbon reduction levy charges were lower than anticipated due to the milder winter and a discount offered to organisations that paid in advance, and a rebate, received in respect of agency staff from our contracted supplier.

18.6. It is proposed to use the underspend on corporate budgets together with the housing benefits underspend to make a contribution of £7.4m to the Economic Action Plan. Since 2013/14, the Council's Capital Programmes have focused on investing in the City's neighbourhoods. The Economic Action Plan complements the Capital Programme by ensuring that funding continues to be available for priority projects within and around the city centre. Further executive decisions would be required to allocate this funding to specific schemes.

Earmarked Reserves – Year-end Summary

1. Summary

1.1. Earmarked reserves represent sums set aside for specific purposes. This is in contrast to the General Fund, which exists to support the Council's day-to-day operations.

1.2. Reserves are created or dissolved with the approval of the City Mayor. Directors may make contributions to reserves provided that the purpose of the reserve is within the scope of the budget ceiling from which the contribution was made. Directors may withdraw money from reserves to support spending that is consistent with the purpose for which the reserve was created.

1.3. During 2016/17 the Executive approved the reorganisation of departmental earmarked reserve balances and the transfer of £4.9m from earmarked reserves into the Managed Reserve Fund to support the budget strategy.

1.4. Information on the larger reserves is set out detailed below. Some of the balances shown include transfers for which approval is sought in the recommendations to this report.

1.5. Earmarked reserves are reducing, particularly as the Council has to spend the money set aside in the managed reserves strategy to support the budget.

2. Description of Reserves

2.1 Ring-fenced Reserves

Ring-fenced reserves hold funds that are held by the Council but for which we have obligations to other partners or organisations. These include funds held on behalf of the City's schools and funds held as part of joint working arrangements with the NHS.

2.1.1. ***NHS Joint Working Projects***: This balance in this reserve has decreased in 2016/17 from £5.3m to £1.8m. The Government has provided funding for joint working between adult social care and the NHS. The majority of this has now been spent.

2.1.2. ***Dedicated Schools Grant Balances***: This represents grant received by the Council, which has not been delegated to schools or spent on relevant non-delegated functions. The balance currently stands at £14.2m, and is ring fenced by law and is therefore not available for general spending. Plans for utilising DSG balances are developed in consultation with the Schools' Forum

2.1.3. ***School Capital Fund***: Schools are able to set aside resources to support future capital spending to enhance their facilities or resources. This reserve holds the funds set aside. The reserve has increased from £2.8m to £3.0m during 2016/17.

2.1.4. ***Schools Buy Back***: This reserve contains funds set aside by schools from their delegated budgets to support investment in the catering service they receive through the City Catering operation. It holds a balance of £0.8m, a decrease of £0.15m in the year.

2.1.5. ***Public Health***: This is ringfenced Public Health Grant money and will be used for future service changes.

2.1.6. **Schools Balances (Revenue):** The amount held in this reserve has decreased from £19.6m to £14.5m following this year's outturn. This money is, by law, ring fenced to individual schools (subject to any clawback of excessive balances, which are returned to the overall Schools Budget)

2.2. Corporate Reserves

Corporate reserves are those held for purposes applicable to the organisation as a whole and not to any specific service, or those administered corporately. They include:

2.2.1. ***Budget Strategy – Managed Reserves Fund:*** This reserve holds the funds set aside as part of the "managed reserves" budget strategy adopted by the Council in recent years. The strategy aimed to build up reserves to buy time for the savings necessitated by Government funding cuts to be delivered in a structured way. At the end of 2016/17, the reserve stands at £27.5m of which £0.4m is required for OFSTED inspection costs.

2.2.2. ***Building Schools for the Future****:* This reserve was set up in January 2007 to meet the capital expenditure costs associated with the BSF programme. The balance at year-end stands at £20.4m and exists to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the new schools.

2.2.3. ***Capital Fund****:* This Capital Fund represents resources set aside to support approved spending on the Council's capital programme. The balance on this reserve will be updated once the financing of 2016/17 capital expenditure is completed.

2.2.4. ***Severance****:* Established as part of the 2010/11 budget and added to since, this reserve was created to meet the redundancy and other costs arising from budget cuts. The current balance on the reserves is £11.7m, an increase of £3.6m during the year (following an approved injection of £5m in the 2016/17 budget).

2.2.5. ***Insurance Fund****:* The Council's self-insured Insurance Fund stands at £6.7m together with a further £5.4m provision for known claims. The fund is deemed to be sufficient to meet known and potential claims.

2.2.6. ***Service Transformation Fund****:* This reserve (£7.1m) is to fund projects which redesign services enabling them to function effectively at reduced cost.

2.2.7. ***Welfare Reform Reserve:*** This reserve (£4.1m) supports welfare claimants, who face crisis. Following the withdrawal of government funding, this one off pot of money is our sole means of providing for such cases and is falling.

2.3. Departmental Reserves

Other reserves are those held for specific services or projects, including departmental reserves. These include:

2.3.1. **Adults:** The reserve (£1.8m) is to fund the new social care system, Liquidlogic and grants to the voluntary sector for preventative non statutory support in the community.

2.3.2. ***Children's:*** The balance has fallen to £1m and is available to fund future expenditure requirements.

2.3.3. ***City Development & Neighbourhoods departmental reserve:*** This reserve stands at £1m and has reduced by £2m in 2016/17.

2.3.4. ***Housing:*** The balance on this reserve stands at £1.2m and has reduced by £0.2m in 2016/17.

2.3.5. ***Public Health***: The reserve is required to fund future outdoor gyms and the Food Growing Hubs Initiative. This reserve now stands at £0.9m a decrease of £0.8m. Unlike the reserve described at para. 2.1.5, this money is not ringfenced.

2.3.6. ***Financial Services' Reserves:*** The balance for this reserve now stands at £3.3m. This balance is being held to support future expenditure on replacing the Council's main Finance system, Service Analysis Team and Welfare & Benefits.

2.3.7. ***Channel Shift Reserve****:* This reserve was set up in 2014/15 to fund work across the Council to both improve the customer experience and make savings through increasing the proportion of interactions with residents that use web-based and self-service systems, or streamlined customer services operations. The reserve stands at £1.6m, a decrease of £54k in 2016/17.

2.3.8. ***Corporate IT Development Fund:*** This reserve is held for various on-going IT developments, many of which span financial years. The corporate IT fund currently stands at £3m – an increase of £0.8m in the year. Annual ICT development expenditure can vary enormously year to year so this fund is used to manage expenditure over the life of the projects. The existence of this fund reduces pressure on the Council's capital programme.

2.3.9. **PC Replacement Fund:** The reserve funds a rolling replacement programme for the council's hardware and in particular computer and telephony equipment for staff. There is a significant move from desktop computers to laptops (which are more expensive) and as we continue to promote flexible working and reduce our buildings profile then the change in our IT estate will continue to place demand on this reserve. This reserve currently stands at £1.3m.

2.3.10. **Surplus Property Disposal Reserve:** This reserve stands at £0.9m and is available to fund potential revenue costs of disposing of surplus property assets and thereby generating savings and delivering capital receipts.

2.3.11. ***City Council Elections:*** This reserve balance is £1m. The reserve will meet costs arising from future elections.

2.3.12. ***Other earmarked reserves***: There are a number of smaller reserves put aside for specific purposes totalling £4m overall. These reserves all total less than £1m each and increased by a net £0.8m in the year.

2.4. General Reserve

The Council's general reserves stand at £15m. In line with our budget strategy, they are retained as a minimum balance for emergencies.

OUTTURN			
Earmarked Revenue Reserves	**Reserves Per Reallocatio**	**Transfers made P1-13**	**Outturn**
	{£000}	*{£000}*	*{£000}*
Adult Care			
Adults General Reserve	685	(373)	312
Voluntary Sector Prospective Work	-	1,500	1,500
Sub-total	*685*	*1,127*	*1,812*
Children's	5,005	(4,048)	957
City Development (excluding Housing)	3,085	(1,993)	1,092
			-
Housing	1,366	(187)	1,179
Public Health	1,730	(832)	898
Resources			
Financial Services Reserve	2,837	510	3,347
Channel Shift Reserve	1,702	(54)	1,648
ICT Development Fund	2,156	803	2,959
PC Replacement Fund	939	358	1,297
Surplus Property Disposal Reserve	1,000	(88)	912
Election Fund	1,020	-	1,020
Other Resources	3,016	798	3,814
Sub-total	*12,670*	*2,328*	*14,998*
TOTAL DEPARTMENTAL RESERVES	**24,541**	**(3,625)**	**20,936**
Corporate reserves			
Managed Reserves Strategy	45,850	(18,355)	27,495
BSF Financing	24,812	(4,427)	20,386
Capital Programme Reserve	17,125	-	17,125
Severance Fund	8,094	3,581	11,675
Insurance Fund	11,121	(4,457)	6,664
Service Transformation Fund	6,135	1,167	7,302
Welfare Reform Reserve	4,533	(457)	4,076
Other Corporate Reserves	2,249	(311)	1,938
Sub-total	**119,919**	**(24,823)**	**96,661**
Ringfenced Monies			
NHS Joint Working Projects	5,275	(3,506)	1,769
DSG not delegated to schools	16,705	(2,500)	14,205
School Capital Fund	2,829	164	2,993
Schools Buy Back	923	(152)	771
Primary PRU Year-End Balance	71	(77)	- 6
Public Health Transformation	-	1,668	1,668
Secondary PRU Year-End Balance	175	38	213
Schools' Balances	19,583	(5,108)	14,475
Sub-total	**45,561**	**(9,473)**	**36,088**
GRAND TOTAL	**190,021**	**(37,921)**	**153,685**

Appendix B

Capital Budget Monitoring – Outturn, 2016/17

Decision to be taken by: City Mayor

Executive meeting date: 25th May 2017

Overview Select Committee date: 22nd June 2017

Lead director: Alison Greenhill

Useful information

■ Report author: Ernie Falso

■ Author contact details: ernie.falso@leicester.gov.uk

1. Summary

The purpose of this report is to show the position of the capital programme at the end of the 2016/17 financial year.

This is the fourth and final report of the financial year.

2. Recommendations

The Executive is recommended to:

- Note the level of expenditure of £111.8m for the financial year, and that £21.7m of the approved programme of £139.9m has now been re-profiled to future years. Re-profiling occurs when it is sensible to delay commencement of a scheme and reasons for this are detailed in the commentary on individual schemes in Appendices B-F;
- Approve the carry-forward of resources into 2017/18 for schemes that have been re-profiled (£21.7m) and schemes where spend has slipped into 2017/18 (£5.0m);
- Note that across a number of schemes, £1.4m has been declared as savings following completion of projects within budget. £425k of this was to be funded by corporate resources and will now be available for future capital projects. The remainder was to be funded by prudential borrowing or revenue contributions which will not now be required;
- Approve the addition of £1.2m to the Highways Maintenance budget in 2017/18, funded by additional resources secured from the Department for Transport (Appendix E, Para 2.9)

The OSC is recommended to:

- Consider the overall position presented within this report and make any observations it sees fit.

3. Report/Supporting information including options considered:

The 2016/17 Capital Programme was approved by Council on 24th February 2016.

The appendices B, C, D, E & F attached to this report provide further detail for each Strategic Director's area of responsibility.

The approved programme included:

- Schemes classified as 'immediate starts', which required no further approval to commence; and
- A number of separate 'policy provisions' which would not be released until

specific proposals have been approved by the Executive.

This report only monitors policy provisions to the extent that spending approval has been given.

Appendix G provides a summary of capital receipts.

4. Financial, legal and other implications

4.1 Financial Implications

This report is solely concerned with financial issues.

Alison Greenhill, Director of Finance, 37 4001

4.2 Legal Implications

There are no legal implications arising directly from the recommendations of this report.
Emma Horton, Head of Law (Commercial, Property & Planning)

4.2 Climate Change and Carbon Reduction Implications

This report is solely concerned with financial issues.

4.3 Equalities Implications

No Equality Impact Assessment (EIA) has been carried out as this is not applicable to a budget monitoring report.
Surinder Singh, Ext 37 4148

4.4 Other Implications

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/People on low income	No	-
Corporate Parenting	No	-
Health Inequalities Impact	No	-

No other implications are noted as this is a budget monitoring report, and therefore no policy changes are proposed.

5. **Is this a private report?**
   No

6. **Is this a “key decision”?**
   No

7. **If a key decision please explain reason**
   N/A

APPENDIX A

Strategic Director	Division	Approved Programme 2016/17	Spend at Outturn	Re-profiling into 2017/18	Year End Slippage	Year End Savings / (overspends)	Percentage of Spend *
		£000	£000	£000	£000	£000	%
Adult Social Care	Adult Social Care	6,677.0	996.0	5,025.0	656.0	-	15%
Health Improvement & Wellbeing	Sports	450.0	122.0	328.0	-	-	27%
Children's Services	Schools	18,949.0	9,260.0	9,689.0	-	-	49%
	Schools (BSF)	4,370.0	2,577.0	1,793.0	-	-	59%
	Non-Schools	881.0	150.0	731.0	-	-	17%
City Development & Neighbourhoods	Planning, Development and Transportation	27,352.0	23,274.0	4.0	3,855.0	219.0	86%
	Tourism, Culture and Inward Investment	8,284.0	8,060.0	80.0	125.0	19.0	98%
	Neighbourhood & Environmental Services	3,272.0	3,025.0	25.0	-	222.0	99%
	Estates and Building Services	7,189.0	7,033.0	5.0	151.0	-	98%
	Vehicle Fleet Replacement Programme	551.0	388.0	-	-	163.0	100%
	Housing General Fund	2,721.0	2,101.0	-	195.0	425.0	92%
	Housing Revenue Account (HRA)	23,922.0	19,549.0	4,017.0	-	356.0	83%
	LLEP (accountable body)	32,431.0	32,431.0	-	-	-	100%
Corporate Resources	Financial Services	1,038.0	1,038.0	-	-	-	100%
	Information Services	104.0	104.0	-	-	-	100%
	Corporate Loans	1,700.0	1,700.0	-	-	-	100%
	TOTAL	**139,891.0**	**111,808.0**	**21,697.0**	**4,982.0**	**1,404.0**	**81%**

* Percentage is based on approved programme minus any savings.

Adult Social Care Projects

1. Summary

1.1. The projects comprising the Adult Social Care capital programme have spent £1.0m during the financial year. This equates to 15% of the approved programme of £6.7m.

2. Adult Social Care

2.1. The table below summarises the £6.7m approved capital programme for Adult Social Care.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
ICT Investment - Phase 2	1,198.0	747.0	394.0	57.0	-	62%
Social Inclusion	201.0	201.0	-	-	-	100%
Improvement to Day Care Services at Hastings Road	430.0	45.0	385.0	-	-	10%
Anchor Centre	600.0	1.0	-	599.0	-	0%
Dementia Friendly Buildings Initiative	250.0	2.0	248.0	-		1%
Special Dementia Care Centre	1,548.0	-	1,548.0	-	-	0%
Extra Care	2,450.0	-	2,450.0	-	-	0%
Total	**6,677.0**	**996.0**	**5,025.0**	**656.0**	**-**	**15%**

2.2. **ICT investment.** This scheme consists of further enhancements to the Liquid Logic social Care IT system. The enhancements include mobile working for social workers, an on-line market place to enable budget holders and self-funders to purchase goods and services, improvements in data sharing with the NHS, training and other system improvements. A substantial proportion of this work has now been re-scheduled for 2017/18 (resulting in the re-profiled budget shown above) to reflect a more realistic work programme and the available technical resources for delivery. For Children's Services, this scheme will provide enhancements to the system including an online portal to communicate with children and families, improved communication and payment mechanisms for foster carers, case management for early help cases, together with delivering recommendations from the 2015 system health check.

2.3. **Social Inclusion.** This covers a range of projects to provide access for disabled people to universal services, including community centres, libraries, leisure centres and other public services. The Council capital programme of £201k has funded two toilet facility schemes at Aylestone and Leicester Leys Leisure centres. The Aylestone Leisure Centre site installation was completed in December and the Leicester Leys Leisure Centre site installation in November. This programme is now complete with all the approved sum of £201k fully spent. In addition to these a further scheme has been completed to add a toilet facility at the Outdoor Pursuits Centre which has been funded separately from the Disabled Facilities Grant.

2.4. **Hastings Road.** This scheme is intended to improve Hastings Road Day Centre by utilising and expanding the use of the building, to accommodate more teams and provide a resource hub for service users. The capital works are on hold pending a review of the provision and will not now commence until 2017/18.

2.5. **Anchor Centre.** An Executive decision was taken to develop a new recovery hub at the Abbey Street premises. However the landlord pulled out of the scheme at the last minute and a new long term site has been identified on Hill Street.

2.6. **Dementia Friendly Buildings Initiative.** Approval was given in November to add a new scheme to the capital programme to support the authority's commitment to making Leicester a Dementia friendly city by investing in its own building to make them more accessible. £250k was made available from the existing specialist dementia care centre scheme. Due to the timing of the scheme there has been very little spend in this financial year.

2.7. **Specialist Dementia Care Scheme**. This scheme is intended to provide financial support for the development of a specialist Dementia Care scheme in partnership with an external organisation. This scheme has been re-profiled into 2017/18 as currently plans are on hold pending further consideration of service needs.

2.8. **Extra Care** provides self-contained flats where service users can live independently but have care and support provided on-site rather than having to live in traditional residential homes. As previously reported the Council procured a partner, Ashley House Independent Living consortia, to develop two Extra Care Housing schemes in the city.

But following the Chancellors November 2015 budget announcing a cap to local housing allowance payments for supported living schemes the schemes were put on hold. This announcement put at risk the viability of new and existing schemes because the Housing Benefit paid to the tenant would then not cover the cost of the supported living accommodation.

The Council is now waiting for announcements in autumn 2017 on the level of new ring fenced grant that will be received to cover the cap that will apply to Housing Benefits so a decision can be made on the future viability of these projects.

3. Policy Provisions

3.1. At the end of the financial year there was one policy provision for Adult Social Care.

Service Area		Amount £000
Adult Social Care	Extra Care Schemes	6,700.0
Total		**6,700.0**

3.2 The ability to commit this funding has also been affected by the Governments cap on local housing allowance payments.

Health Improvement & Wellbeing

1. Summary

1.1. The Health Improvement & Wellbeing capital programme consists of one project which has spent £122k during the financial year. This equates to 27% of the approved budget of £450k.

2. Sports

2.1. The table below summarises the £450k approved capital programme for Sports.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Humberstone Heights Golf Course Investment	450.0	122.0	328.0	-	-	27%
Total	**450.0**	**122.0**	**328.0**	**-**	**-**	**27%**

2.2. **Humberstone Heights Golf Course Investment.** This scheme was approved in November 2015 to improve the quality of facilities and the overall financial sustainability of the golf course. Works include new drainage, irrigation, footpath and pond repairs, new signage and rebranding and enhancements to the Academy course. Work on course signage and improvements to pathways/footpaths have been carried out. Drainage and irrigation works are scheduled to complete in 2017/18.

Children's Services Projects

1. Summary

1.1. The projects comprising the Children's Services Capital programme had spent £12m (excluding BSF – see para. 1.4) during the financial year

1.2. This equates to 50% of the approved capital programme of £24.2m.

1.3. The Children's Service Capital Programme is reported, for monitoring purposes, in two distinct sections, schools (£18.9m) and non-schools (£0.9m).

1.4. There are also the final elements of the Building Schools for the Future (BSF) programme which has amounted to £2.6m during 2016-17.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Schools	18,949.0	9,260.0	9,689.0	-	-	49%
Non-Schools	881.0	150.0	731.0	-	-	17%
Children's Services (excluding BSF)	**19,830.0**	**9,410.0**	**10,420.0**	**-**	**-**	**47%**
Building Schools for the Future (BSF) Programme	4,370.0	2,577.0	1,793.0	-	-	59%
Total Children's Services	**24,200.0**	**11,987.0**	**12,213.0**	**-**	**-**	**50%**

2. Schools

2.1. The table below summarises the £18.9m approved Capital Programme for Children's Services Schools Programme and the related expenditure.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Basic Need Works	8,181.0	5,830.0	2,351.0	-	-	71%
Targeted Basic Need - Kestrels' Field	1,424.0	1,155.0	269.0	-	-	81%
School Capital Maintenance	9,011.0	1,942.0	7,069.0	-	-	22%
Landlord Lifecycle Fund (LLF) – Capital Maintenance (priorities 1 and 2)	333.0	333.0	-	-	-	100%
Total	**18,949.0**	**9,260.0**	**9,689.0**	**-**	**-**	**49%**

2.2. **Basic Need Works.** £8.2m has been approved for schemes which create new school places. Of the £8.2m, £2.4m will now be spent in 2017/18.

2.2.1. The new primary expansions programme covers approximately 15 schemes including conversion of non-teaching spaces into classrooms, refurbishment and conversion of former ICT rooms into classrooms together with the use of temporary modular buildings. In total these works will create up to 1,200 additional places.

2.2.2. The £0.9m covers feasibility works for secondary school expansion.

2.2.3. £4.7m is the balance of an earlier programme includes works at Wolsey House and was completed in December and rectification at Eyres Monsell, which is complete other than external works (including drainage and the resurfacing of the playground).

2.3. **Targeted Basic Need – Kestrels' Field Primary School.** The Kestrels' Field Primary School scheme has created an additional 60 reception places (equivalent to 420 places across all primary year groups). It is a £6.9m scheme funded through a combination of £3.9m from the Department of Education and £3.0m from the Council. The first phase of the works was completed at the end of November 2015. The second phase of the works, to reconfigure the existing Primary School site to become the new infant block, was completed in September 2016. There will be further spend in 2017/18 on drainage works, retentions and snagging.

2.4. **School Capital Maintenance.** In July the Executive approved spending of £8.1m to address works across the Children's Services capital portfolio. £1.9m has been spent this year with the remaining works programmed for 2017/18 (£7m).

2.5. **Landlord Lifecycle Fund (LLF) – Capital Maintenance (priorities 1 and 2**). A report ('Children's Capital Maintenance – BSF Secondary and Special Schools') was submitted on the 12th October 2016 outlining the proposal to enable the on-going capital maintenance of secondary and special schools rebuilt and refurbished under the BSF Programme. This included a decision for £4m to be released from the BSF Landlord Lifecycle Fund to meet the costs of the programme of planned priority works and also a decision to add £1m to the Fund in pursuance of the Council's commitment to make further underwritten contributions (funded from a review of maintenance and lifecycle earmarked reserves). £0.3m of the £4m has been spent in the 2016/17 financial year with the rest programmed for 2017/18 and 2018/19.

3. <u>Non-Schools</u>

3.1. The table below summarises the £0.9m approved Capital Programme for Children's Services directly controlled projects.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Children's Homes and Contact Centre Refurbishments	508.0	123.0	385.0	-	-	24%
Adventure Playgrounds and Youth Centres	26.0	1.0	25.0	-	-	4%
Early Years - Two Year Old Entitlement	347.0	26.0	321.0	-	-	7%
Total	**881.0**	**150.0**	**731.0**	**-**	**-**	**17%**

3.2. **Children's Homes, Contact Centres Refurbishment.** This budget is being spent on:

3.2.1. The St Andrew's Family Contact Centre scheme is now complete and has improved space and facilities for parents and children whilst also providing space for training and other meetings.

3.2.2. Children's homes, which will be refurbished and improved, with works to be carried out at Barnes Heath, Dunblane Avenue, Netherhall and Tatlow Road. The works on these homes will complete in 2017/18, requiring the re-profiling of the £385k budget.

3.3. **Adventure Playgrounds and Youth Centres**. This scheme is a provision to cover refurbishments and small capital maintenance works as required.

3.4. The **Early Years Two Year Old Education Entitlement** scheme provides resources to private, voluntary and independent providers to enable them to expand their provision to accommodate and provide for the two year old free entitlement and for the extended entitlement for eligible 3 and 4 year olds from September 2017. Whilst only £26k has been spent in 2016/17 there are a number of schemes that we are already committed to funding in 2017/18.

4. Building Schools For The Future (BSF)

4.1. The BSF programme is complete with only some final retention payments and claims expected. Actual expenditure of £2.577m has been incurred in 2016/17 and this is funded mainly from an earmarked reserve that has been specifically set-aside for this purpose.

5. Policy Provisions

5.1. At the end of the financial year there was one policy provision for Children's Services. This is to cover spend for 2017/18 and 2018/19.

Service Area		Amount £000
Schools	Children's Services (for current financial year)	46,638.0
Total		**46,638.0**

City Development and Neighbourhoods' Projects

1. Summary

1.1 The projects comprising the City Development and Neighbourhoods' capital programme have spent £95.9m at outturn.

1.2 Excluding the Leicester & Leicestershire Enterprise Partnership (LLEP) grants programme (which is managed by the LLEP), this equates to 88% of the approved programme.

1.3 The City Development and Neighbourhoods programme is split into eight distinct areas, as shown in the following table:

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Planning, Development and Transportation	27,352.0	23,274.0	4.0	3,855.0	219.0	86%
Tourism, Culture and Inward Investment	8,284.0	8,060.0	80.0	125.0	19.0	98%
Neighbourhood & Environmental Services	3,272.0	3,025.0	25.0	-	222.0	99%
Estates and Building Services	7,189.0	7,033.0	5.0	151.0	-	98%
Vehicle Fleet Replacement Programme	551.0	388.0	-	-	163.0	100%
Housing General Fund	2,721.0	2,101.0	-	195.0	425.0	92%
Housing Revenue Account (HRA)	23,922.0	19,549.0	4,017.0	-	356.0	83%
Total (Excluding LLEP)	**73,291.0**	**63,430.0**	**4,131.0**	**4,326.0**	**1,404.0**	**88%**
Leicester & Leicestershire Enterprise Partnership (LLEP)	32,431.0	32,431.0	-	-	-	100%
Total (Including LLEP)	**105,722.0**	**95,861.0**	**4,131.0**	**4,326.0**	**1,404.0**	**92%**

2. Planning, Development and Transportation

2.1 The table below summarises the current approved projects relating to Planning, Development and Transportation.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Transport Improvement Works	2,541.0	2,263.0	-	278.0	-	89%
North City Centre Access Improvement Scheme	1,338.0	658.0	-	680.0	-	49%
Leicester North West Major Transport Scheme	2,000.0	1,815.0	-	185.0	-	91%
Legible Leicester	461.0	461.0	-	-	-	100%
Air Quality - Walking and Cycling	44.0	42.0	-	2.0	-	95%
Haymarket Bus Station	779.0	767.0		12.0	-	98%
Highways Maintenance	2,721.0	2,511.0	-	210.0	-	92%
Street Lighting Replacement Programme	800.0	434.0	-	166.0	200.0	72%
Local Environmental Works	417.0	339.0	-	78.0	-	81%
Flood Strategy	353.0	353.0	-	-	-	100%
Christmas Decorations Replacement	66.0	66.0	-	-	-	100%
Parking Strategy Development	491.0	491.0		-	-	100%
City Centre Street Improvements	4,080.0	4,080.0	-	-	-	100%
Townscape Heritage Initiative	271.0	271.0	-	-	-	100%
Friars' Mill	377.0	157.0	-	220.0	-	42%
Friars' Mill Offices	1,250.0	295.0	-	955.0	-	24%
Waterside Strategic Regeneration Area	6,900.0	5,961.0	-	939.0	-	86%
Leicester Strategic Flood Risk Management Strategy	1,446.0	1,446.0	-	-	-	100%
St George's Church Yard	21.0	21.0	-	-	-	100%
15 New Street	60.0	5.0	4.0	51.0	-	8%
Architectural and Feature Lighting	162.0	162.0	-	-	-	100%
Ashton Green	580.0	580.0	-	-	-	100%
John Ellis Site	100.0	96.0	-	4.0	-	96%
Shahista House, 37-45 Rutland Street	75.0	-	-	75.0	-	0%
Residents' Parking Schemes	19.0	-	-	-	19.0	0%
Total	**27,352.0**	**23,274.0**	**4.0**	**3,855.0**	**219.0**	**86%**

2.2 **Transport Improvement Works** include:

2.2.1 Construction of the New College "closed road" cycle circuit which was delayed due to adverse ground conditions, resulting in slippage of £271k. The scheme is expected to be completed by the end of June 2017.

2.2.2 The level access bus stop programme which is complete.

2.2.3 Construction of the cycleway and new crossings on Welford Road between Newarke Street and Lancaster Walk which was completed in the summer. Works relating to Leicester Royal Infirmary bus gates were completed in September.

2.2.4 20mph schemes for 2016/2017 are complete for the Charnor Road, Fairfax Road and Northfields area. The Whitehall School scheme is delayed due to objections received following the consultation.

2.2.5 The pedestrian refuges scheme at the junction of Houlditch Road and Craighill Road is complete. Safety improvements at the junction of Craighill Road and Gainsborough Road are also complete.

2.2.6 Local Transport Plan (LTP) Management and Monitoring provides funding for staff costs and traffic surveys for preparing bids and monitoring performance of the various strategies of the LTP.

2.3 **North City Centre Access Improvement Scheme.** This scheme is helping to connect the city centre with existing and proposed communities at Belgrave and Abbey Meadows, together with new development sites at Belgrave Circle and the Community Sports Arena on Charter Street. A concept design has been approved for Belgrave Gate North and south, which will now go out to consultation in the summer. Construction of a new five metre wide footbridge crossing the Grand Union Canal from Charter Street to Abbey Park has started onsite, albeit later than originally planned which has led to slippage.

2.4 **Leicester North West Major Transport Scheme (A50 corridor).** Phase 1 works completed on site in July 2016 and monitoring surveys are taking place in May 2017. Preliminary design work on Phase 2 which focusses on the Five Ways junction (Fosse Road/Blackbird Road/Groby Road/Woodgate/Buckminster Road), the Blackbird Road/Anstey Lane/Ravensbridge Drive junction and the Ravensbridge Drive/St Margaret's Way junction is complete. A public engagement exercise is underway. Work on site is expected to start in the Autumn 2017. The scheme is largely funded through the Local Growth Fund and is promoted jointly with Leicestershire County Council. The slippage is due to the scheduling of work on this major multi-year infrastructure scheme.

2.5 **Legible Leicester.** The installation of city centre on-street wayfinding infrastructure has commenced and is expected to be substantially completed by the end of May 2017. It is anticipated this project will be completed in 2017/18.

2.6 **Air Quality – Walking and Cycling.** The DEFRA-funded pathfinding was to upgrade the data feeding into the online journey planner within the Choose How You Move website. All project outputs were achieved. This slippage of £2k represents the final payment to be made in 2017/18.

2.7 **Haymarket Bus Station.** As previously reported the new bus station opened in May 2016. The scheme is complete and the £12k slippage represents the final payment.

2.8 **Highways Maintenance.** The programme is targeted at asphalt carriageway maintenance works where the deterioration in road surfaces is most evident. Monies have also been allocated to address failing concrete roads and road humps, undertake footway schemes, renew traffic signals and for significant bridge maintenance schemes.

2.8.1 Principal and Primary Roads. The A563 carriageway between the A50 Groby Road and Glenfield Road islands has been resurfaced in conjunction with the Leicester North West A50 improvement scheme and works to the traffic islands. Resurfacing of Welford Road between Marlborough Street and Regent Road has also been completed, as has a section between Palmerston Way and Highgate Drive. Resurfacing at the Red Hill Way/Thurcaston Road Island took place in July and at Saffron Lane in the autumn. All planned capital schemes have been fully completed.

2.8.2 Generic Treatment. The programme includes surface dressing, joint sealing and concrete carriageway repairs.

- Surface dressing: some 27 streets across different communities have benefitted. Locations include Ellesmere Road and Waltham Avenue (both in Braunstone), Tuxford Road (Hamilton), Nicklaus Road (Rushey Mead) and Asplin Road, Broughton Road, Sheridan Street and Cavendish Road (all in Aylestone).

- DfT Incentive Fund. Seven sites in the New Parks area have benefitted to date.

- DfT Pothole Action Fund. The Rutland Street/Charles Street junction has been resurfaced and the junction of Victoria Park Road and Queens Road was completed in February 2017.

- DfT LEAN pothole funding. Works to all sites were completed by the end of March 2017.

2.8.3 Footways. Sites completed at end of March 2017 include Thurncourt Road and Wintersdale Road. Bryngarth Crescent, St. Saviours Walk and Astill Lodge footpath.

2.8.4 Bridge Maintenance. This includes bridge improvement and maintenance works, together with strategic bridge deck maintenance and replacements. Highway Road replacement has commenced and is due to be completed in the summer, resulting in slippage.

2.8.5 Traffic Signals Renewals. The planned programme has been completed. Sites include Welford Road/ Regent Road, Catherine Street/ Dysart Way, Main Street (Evington), West Bridge/ St. Nicholas Circle and Spencefield Lane/ Downing Drive.

2.9 Additional highways maintenance funds totalling £1.2m have been secured from the Department for Transport for 2017/18. These are £856k of Productivity Investment Funding and £187k of Pothole Action Funding. It is recommended that these are added to the capital programme via this report, to supplement and enhance the planned maintenance programme.

2.10 **Street Lighting Replacement Programme.** This is substantially complete, with a small number of units (high masts containing around 8 lamps each) left to install in 2017/18, resulting in slippage. Costs were lower than budgeted, resulting in a saving that will reduce prudential borrowing costs.

2.11 **Local Environmental Works.** Good progress has been made, although as previously reported there is some slippage. Activities since the last monitoring report at Period 9 include:

2.11.1 Speeding Action Plan - speed surveys were commissioned at 15 top priority sites as part of the speeding action plan and the procurement of vehicle activated signs (VAS) is underway for installation in the 2017/18 financial year.

2.11.2 A speed reduction scheme is being developed for Welford Road incorporating a pedestrian refuge near Muston Gardens and a number of traffic islands along Welford Road. This will be constructed towards the end of the summer holidays.

2.11.3 Work to improve the public realm at Barleycroft shopping precinct is being developed, with work expected early in 2017/18. This includes repair works to the steps, removal of a brick wall and the installation of a disabled ramp.

2.11.4 The Glengarry Way one-way scheme has been consulted on, and work on site will take place in 2017/18.

2.11.5 The pedestrian wheelchair/pram crossing installation programme was successfully completed. The programme to introduce or amend local parking restrictions was completed, as was the Pelican Crossing scheme on Glenfield Road near to The Christ the King School.

2.12 **Flood Strategy.** A comprehensive programme included several feasibility studies at locations identified as being at particular risk of flooding, including Holbrook, Gilroes Brook and Northfields. An ongoing programme of gulley replacements was undertaken. Other measures include watercourse improvements and repairs.

2.13 **Christmas Decorations Replacement.** This is the second year of a three-year refurbishment programme. Locations which have benefitted include Market Street, High Street and Town Hall Square.

2.14 **Parking Strategy Development**. This approved programme supports the commitment to improve road safety outside schools, improve car parking on housing estates, off-street car parking refurbishments and improve air quality by reducing congestion.

2.14.1 Work to tackle school run parking issues is underway as part of the School Run Parking programme. A programme of improvement measures is being developed against a prioritised list of 117 schools. Meetings have been held with the first 20 schools on the list and work has commenced at the first school, Soar Valley College.

2.14.2 Work has also started on the School Keep Clear (SKC) markings programme. This includes refreshing the road markings and installing the restriction plates at all schools, with a view to making the road markings enforceable. Further work will be required to prepare the Traffic Regulation Orders to support the SKC programme.

2.14.3 A substantial amount of work has been carried out progressing the annual Traffic Regulation Order (TRO) programme. This work includes preparing orders to support the installation of single and double yellow line restrictions.

2.14.4 Works to improve the appearance of Dover Street car park have been completed.

2.14.5 The annual layby construction programme was completed. Calgary Road has been delayed due to the need to obtain planning permission, hence it will be constructed in 2017/18.

2.14.6 Feasibility work on pavement and residents’ parking has developed outline schemes for Rushey Mead and St Matthews. A Stoneygate residents’ parking public engagement exhibition was held and the results are currently being assessed, to decide on whether or not to progress the scheme. Traffic surveys are also being carried out in Aylestone Ward.

2.14.7 Electric car charging points were installed, to contribute towards wider air quality goals.

2.15 **City Centre Street Improvements.** This involves pedestrian and cyclist improvements to key city centre streets. Works on the first phase of Belvoir Street were completed December. The next phase of works has commenced on Belvoir Street/King Street junction and is programmed to complete by October 2017. Design work for King Street public realm has also been completed and City Highways will commence construction in July 2017 with completion programmed for

December 2017. The Mill Lane public realm works completed on site in February 2017 and were funded entirely by De Montfort University.

2.16 **Townscape Heritage Initiative**. This is part-funded by a £1.1m grant from the Heritage Lottery Fund and will facilitate an overall five year programme of improvements valued at over £2m including third party investment. The project is progressing as planned. More grant applications for premises improvement have been received and approved.

2.17 **Friars' Mill** Approximately 80% of the space is now let and the enquiry pipeline remains strong. The main construction contractor went into administration in September, leaving a number of items outstanding. The Council is in the process of instructing individual sub-contractors to return to site to complete outstanding works, hence reported slippage.

2.18 **Friars' Mill Offices**. This project is funded from the Waterside Local Growth Fund monies and involves the construction of two new office buildings in the grounds of the existing Friars' Mill development. Work stalled due to the main contractor entering administration. There have been difficulties appointing a new contractor and site remains incomplete, hence reported slippage. Options to complete the development are being explored.

2.19 **Waterside Strategic Regeneration Area**. The main items of expenditure at this stage of the scheme are land acquisitions and development fees, with significant further land acquisitions expected. Very good progress was made in 16/17 with the final expenditure being close to £6m from a budget of £6.9m. The slippage was due to an agreed acquisition of circa £1m taking longer to complete than expected. This deal is expected to be completed in the first quarter of 17/18.

2.20 **Leicester Strategic Flood Risk Management Strategy**. This is a programme of projects delivered by the Council, the Environment Agency and the Canal and River Trust. Good progress is now being made as the programme is established. A number of projects are on site, led by the Council and our partners.

2.21 **St George's Church Yard.** The project consists of feasibility into planned improvements to the churchyard, including repairs and public realm works. Public consultation has taken place and final plans are being developed with a planning application to be submitted in the coming months.

2.22 **15 New Street.** This involves the demolition of the property and associated works to improve access from the rear of the Greyfriars complex. Overall consideration of the project in the context of access requirements related to the Greyfriars complex mean that this will now be demolished in 2017/18, hence slippage.

2.23 **Architectural & Feature Lighting.** This project is complete and properties which have benefitted include Blunts Shoes and the Turkey Café on Granby Street, Café Bruxelles on High Street and St. Nicholas Church.

2.24 **Ashton Green.** Morris Homes started on site with Parcel 1 (100 homes) in February 2017 with the aim of completing the first show home by August. The Council-led highway infrastructure is continuing to make good progress on site. The next project, the Morris Homes frontage, is due for completion in May. The next development parcel of circa 250 units is out to the market with 10 developers having expressed interest in bidding and final tenders are anticipated by early July 2017.

2.25 **John Ellis Site.** Project development funding was secured from the LLEP to allow commissioning of site investigations and ecology studies, which is now complete. Subsequently, Local Growth

Deal 3 funding of £5m has been awarded for the National Space Park / Pioneer Park infrastructure, allowing design work to commence in early 2017/18.

2.26 **Shahista House, 37-45 Rutland Street.** The grant will support a developer to regenerate the Grade II listed building with a mix of retail/leisure and residential apartments within the Cultural Quarter. The project is now on site and is due to be complete in December 2017. Payments will be made in 2017/18.

2.27 **Residents' Parking Schemes** – These are complete, with any new schemes now part of the Local Environmental Works programme.

3. Tourism, Culture & Inward Investment

3.1 The table below summarises the current approved projects for Tourism, Culture and Inward Investment.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
De Montfort Hall, new auditorium seating	400.0	395.0	-	-	5.0	100%
Heritage Interpretation Panels	55.0	55.0	-	-	-	100%
Story of Leicester Website	80.0	-	80.0	-	-	0%
Enterprising Leicester Investment Loan	4,013.0	4,013.0	-	-	-	100%
Leicester Market Redevelopment	2,436.0	2,436.0	-	-	-	100%
Dock 2	225.0	189.0	-	36.0	-	84%
Retail Gateways	100.0	95.0	-	5.0	-	95%
Broadband Business Vouchers	340.0	326.0	-	-	14.0	100%
New Walk Museum Works	408.0	324.0	-	84.0	-	79%
Jewry Wall Museum Improvements	217.0	217.0	-	-	-	100%
68-70 Humberstone Gate East	10.0	10.0	-	-	-	100%
Total	**8,284.0**	**8,060.0**	**80.0**	**125.0**	**19.0**	**98%**

3.2 **De Montfort Hall, new auditorium seating**. Replacement of the 22 year old seats was completed in August 2016 and has been well received.

3.3 **Heritage Interpretation panels.** 25 Heritage Panels have been created and installed. The panels were prioritised by identifying locations and themes with key benefits for local communities, businesses and tourists.

3.4 **Story of Leicester Website**. This will be developed into an exciting and modern resource that tells the history of the City and its people through images, video and digital interactives during 2017/18 hence requiring re-profiling.

3.5 **Enterprising Leicester Local Investment Fund**. A £4 million loan has been advanced to Infrastructure Investments (Leicester) Ltd to revamp further parts of St George's Tower, to enable Hastings Direct to expand its Leicester operations and workforce.

3.6 **Leicester Market Redevelopment.** The new public square on the site of the former indoor Market Hall opened in early May. Improvements to Market Place North and Hotel Street will be completed by the summer. Planning and listed buildings permissions have been approved for the new screen at the rear of the Corn Exchange.

3.7 **Dock 2**. The project is to provide grow-on workspace for Hi-Tech businesses at Leicester's Pioneer Park. Planning consent was secured and procurement of a construction contractor completed, however the tenders came in over budget and the scheme remains under review. Therefore a small element will slip into 2017/18.

3.8 **Retail Gateways**. The programme is designed to support independent shop owners in the main gateway and regeneration areas. Areas supported include the Golden Mile, the West End (Narborough Road, Braunstone Gate/ Hinckley Road) and Leicester Market. The scheme is nearing completion, and the remaining payments will be made in 2017/18.

3.9 **Broadband Business Vouchers**. This was funded by Broadband Delivery UK (BDUK) as part of their national programme. Grants of up to £5k were available to small and medium sized enterprises (SMEs) in Leicester and Leicestershire to improve their broadband connectivity. Almost 500 SMEs have been supported in this way and the project is now complete.

3.10 **New Walk Museum Works.** The contractor moved on site in January and commenced the main programme of works to install the new staircase, lift and associated works. A new combined reception / shop desk will be installed during the final phase. Payments have been made slightly later than originally planned, hence there is some slippage.

3.11 **Jewry Wall Museum Improvements**. Work is underway to finalise the designs for the accessible walkway to link St Nicholas Circle footpath to the entrance level for the former Vaughan College. A contractor will be procured to deliver a new walkway access, terrace and adjacent path improvements, for which funding is in place.

3.12 **68-70 Humberstone Gate East.** The grant has supported the development of new workspace for creative industries in the Cultural Quarter.

4. Neighbourhood and Environmental Services

4.1 The table below summarises the current approved projects for Neighbourhood and Environmental Services.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Victoria Park Centenary Walk Phase 2	2,033.0	2,033.0	-	-	-	100%
Victoria Park Gates	350.0	350.0	-	-	-	100%
Parks Plant and Equipment	150.0	28.0	-	-	122.0	100%
Public Conveniences	355.0	255.0	-	-	100.0	100%
Gypsum Close Waste Recycling Centre Enhancements	120.0	120.0	-	-	-	100%
Saffron Hill Cemetery improvements	99.0	99.0	-	-	-	100%
Allotment Infrastructure Phase 2	100.0	100.0	-	-	-	100%
Installation of Defibrillators on Parks	65.0	40.0	25.0	-	-	62%
Total	**3,272.0**	**3,025.0**	**25.0**	**-**	**222.0**	**99%**

4.2 **Victoria Park Centenary Walk Phase 2**. Works were completed in March 2017. This includes all tree planting and soft landscaping, along with works to the tennis and skate park including new lighting. The car park is now fully in use along with disabled bays, cycle shelter and provision for electric vehicle charging.

4.3 **Victoria Park Gates**. All works to the gates have been completed and both sets of gates have been reinstalled on site.

4.4 **Parks Plant and Equipment**. This funds replacement items of grounds maintenance equipment with an initial purchase value of over £5k per item. Following a review of grass cutting schedules and changes made to the frequency of cuts to highways and parks, the expenditure this year was reduced to £28k. This will reduce future years' prudential borrowing repayment costs.

4.5 **Public Conveniences**. The new build toilet block at Belgrave Road opened in May and the refurbishment works at Abbey Grounds are also complete. The costs were less than anticipated, hence a saving of £100k.

4.6 **Gypsum Close Waste Recycling Centre Enhancements**. The Gypsum Close Waste Recycling Centre Enhancements were completed as planned and this included new compactors, a roller packer, additional signage and speed bumps.

4.7 **Saffron Hill Cemetery**. The refurbishments complement previous improvements to the chapel and disabled toilets, all works were completed with an official reopening ceremony.

4.8 **Allotment Infrastructure Phase 2**. This is the first year of a three year programme, arising from the 2014 site audits. A range of work has been completed, concentrating on security fencing and roadway improvements. The sites include Bonney Road, Meredith Road, Harrison Road, Paget Street, Uppingham Road and Wakerley Road. In addition, the car park at Gorse Hill has been improved. Planning for the 2017/18 programme has begun and procurement packages are being established.

4.9 **Installation of Defibrillators on Parks.** Around 30 defibrillators have been installed on parks and cemeteries and heart problem "hot spots" across the City. A promotional campaign will be officially launched in the summer seeing the budget re-profiling into 2017/18.

5. Estates and Building Services

5.1 The table below summarises the current approved projects for Estates and Building Services.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
City Centre Office Accommodation	1,019.0	929.0	-	90.0	-	91%
Property Maintenance	1,069.0	1,008.0	-	61.0	-	94%
20-40 New Walk	3,423.0	3,423.0	-	-	-	100%
6-8 St Martins	10.0	5.0	5.0	-	-	50%
Haymarket Theatre	406.0	406.0	-	-	-	100%
GCR Railway Museum	320.0	320.0	-	-	-	100%
Braunstone Hall	584.0	584.0	-	-	-	100%
LED Lighting	358.0	358.0	-	-	-	100%
Total	**7,189.0**	**7,033.0**	**5.0**	**151.0**	**-**	**98%**

5.2 **City Centre Office Accommodation.** This supports the relocation of social workers and support staff from Greyfriars to Halford House, which has progressed smoothly. Different teams who were previously separated in small offices can physically work closer together, and facilities for partners and families who have been invited in for meetings are much improved. Final payments and residual works will be completed in 2017/18, hence a slippage of £90k.

5.3 **Property Capital Maintenance**. This comprises planned works which address health and safety risks outside the scope of normal repairs and maintenance via the Central Maintenance Fund and 'tenant'/occupier budgets. It also includes replacement of certain buildings elements such as roofs or lifts that have reached the end of their life. Heritage works such as at Jewry Hall/Vaughan College and Abbey Pumping Station are also included. The slippage will be spent in 2017/18.

5.4 **20-40 New Walk**. IBM has been attracted to Leicester as a major inward investor. The Council has undertaken improvement works to this Council owned property for lease to IBM as their new city home. Works (including additional elements requested and funded by IBM) have been completed and offices are now occupied.

5.5 **Haymarket Theatre**. The feasibility funding supported the development of options for future uses. The City Mayor subsequently approved a £3m capital scheme that will see it re-open as a space for live performance later in the year.

5.6 **GCR Railway Museum**. The Great Central Railway (GCR) plans to deliver a major new railway museum at the Leicester North Station. The Council has financially supported the scheme design and the acquisition of allotment plots to release land, which is anticipated to be completed this year.

5.7 **Braunstone Hall.** The Council is contributing towards repairs and improvements to support bringing this historic building into use as a hotel and conference venue.

5.8 **LED Lighting.** This project will replace existing inefficient lighting in Council buildings to reduce energy consumption, cost and carbon emissions. It follows on from a successful pilot project, in 2015/16, and rolls out LED lighting to a further 8 operational buildings, namely the Adult Education Centre, Beaumont Leys Library, Gilroes Crematorium, the Guildhall, Humberstone Heights Golf Course, New Walk Museum, St Margaret's Bus Station, the Town Hall and Beaumont Leys open market. In addition to the energy savings and improved quality of lighting for building users, there will also be reduced maintenance cost to the authority. The lighting is anticipated to be completed early in 2017/18.

6. <u>Vehicle Fleet Replacement Programme</u>

6.1 The Vehicle Fleet Replacement programme includes the acquisition of 15 ultra-low emission vehicles and associated charging points. A robust approach is been taken to vehicle replacement hence not all of the budget being required.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Vehicle Fleet Replacement Programme	551.0	388.0	-	-	163.0	100%
Total	**551.0**	**388.0**	**-**	**-**	**163.0**	**100%**

7. <u>Housing Services</u>

7.1 The table below summarises the £26.6m approved capital programme for Housing Services and the related expenditure.

Programme Area	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Investment in Council Housing	14,771.0	14,064.0	409.0	-	298.0	97%
Business Investment	2,195.0	357.0	1,838.0	-	-	16%
Environmental and Communal Works	6,104.0	4,750.0	1,296.0	-	58.0	79%
Affordable Housing	852.0	378.0	474.0	-	-	44%
Total HRA	**23,922.0**	**19,549.0**	**4,017.0**	**-**	**356.0**	**83%**
Housing General Fund	2,721.0	2,101.0	-	195.0	425.0	92%
Total Housing	**26,643.0**	**21,650.0**	**4,017.0**	**195.0**	**781.0**	**84%**

7.2 **Investment in Council Housing**. As reported at Period 9, the current phase of the Tower Block Redevelopment programme started later than expected due to a delay reoccupying Clipstone House. The redevelopment is expected to complete with Maxfield House in 2017 and hence re-profiling of £0.4m into 2017/18 is required. Highlights of the programme over the year include the replacement of 960 kitchens & bathrooms, 1,360 boilers, 860 electrical rewires and upgrades, 80 new roofs and various citywide door entry upgrades. Door Entry, which is demand-led, underspent by £298k.

7.3 **Business Investment**. An underspend of £1.8m on business investment schemes is proposed to be re-profiled into 2017/18. This comprises of (a) the new Housing IT system (Northgate) which was delayed whilst phase 1 fixes were completed (£1.2m re-profiled), (b) mobile working, where the roll-out of tablet devices to other housing services followed the new repairs and tenancy management services (£0.3m re-profiled), and (c) CCTV renewal which is dependent upon the outcomes of an on-going citywide review across all services (£0.3m re-profiled).

7.4 **Environmental and Communal Works.** Throughout the year, enabling work to soffits and fascia and extending boiler flues at 140 homes was carried out, meaning £0.9m will not be spent until 2017/18 when the substantive works will be completed. Other highlights of the programme include disabled adaptations for 930 tenants, energy efficiency improvements to 400 poorly performing homes, elevated walkway/balcony and waylighting improvements, playground upgrades, plus communal and environmental improvements which have been allocated across the city by local tenants and councillors. The contractor for balcony improvements was appointed late in the year, hence £0.3m is re-profiled into 2017/18. Consultation with leaseholders to install a second lift at St Leonards Court is still progressing so work did not commence in 2016/17; £0.1m has been re-profiled to 2017/18.

An overspend of £130k occurred on Supporting Neighbourhood Hubs, reflecting Housing's contribution to the refurbished Beaumont Leys Library/Hub where a team has been relocated. Waylighting overspent by £161k due to accelerating the programme which will now end earlier in 2017/18 than originally planned. In contrast underspends have occurred on Elevated Walkways (£127k) and Charnwood Door Entry (£150k) which is no longer required. Improvements to Council Houses for disabled tenants is a demand-led service and this has overspent by £72k

7.5 **Affordable Housing**. Four former council hostels at Lower Hastings Street, Loughborough Road, Myrtle Road and Seymour Street are being converted into affordable housing. Work commenced in January resulting in £311k being re-profiled into 2017/18. Approval was given to use £0.4m from Right to Buy receipts to fund the development of 25 homes at Keyham Lane, Hamilton, a scheme being carried out by Nottingham Housing Association; £164k of this is re-profiled into 2017/18.

7.6 **Housing General Fund Capital**. The main element within the Housing capital programme is the Disabled Facilities Grants programme. This awarded over 150 grants during the year towards the cost of adaptations, enabling people to continue living in their own homes. The final position for the year is an underspend of £304k against a budget of £2.1m. Previous monitoring reports had shown an anticipated underspend, following an earlier backlog in processing applications.

The capital programme also includes the on-going acquisition of empty properties in poor condition where the owner has failed to secure the necessary improvements. This delivered an underspend of £129k as the price at which houses were sold exceeded that at which they were purchased by the Council.

A £65k underspend in relation to the development of Gypsy and Traveller sites will slip into 2017/18.

Due to high levels of demand, Street Scene Improvements (which include installing alley gates and improving security in communal areas) overspent by £24k. This will be funded from the Community Safety Team.

8. Leicester and Leicestershire Enterprise Partnership (LLEP)

8.1 The table below summarises the approved projects relating to the Leicester and Leicestershire Enterprise Partnership, for which the Council is the accountable body.

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Growing Places Fund	61.0	61.0				100%
MIRA Technology Park Enterprise Zone	530.0	530.0				100%
Local Growth Fund Projects	31,840.0	31,840.0				100%
Total	**32,431.0**	**32,431.0**	**-**	**-**	**-**	**100%**

8.2 **Growing Places Fund**. This is a revolving fund which advances loan funding for new development across city and county areas. The payment of £60k is the balance outstanding from the last round of approvals.

8.3 **MIRA Technology Park Enterprise Zone**. The grant has been paid and will be recouped by the LLEP over time by present and future business rates uplift within the Zone.

8.4 **Local Growth Fund.** This covers major development and infrastructure schemes in the city and county. City Council led projects include the North City Centre Access Improvement Programme, Strategic Flood Risk Management, the Waterside Strategic Regeneration Area and Connecting Leicester. These sums are also reflected in the Divisional tables above. Some £21m is allocated for projects led by external partners, including the North Warwickshire and Hinckley College new skills training centre at the MIRA Technology Park, the Leicester College Skills and Innovation village, the highways access to the new Lubbesthorpe development near Junction 21 of the M1 and accelerated broadband. All of the funding was allocated to capital schemes as required by the grant conditions.

9. Policy Provisions

9.1 At the end of the financial a number of policy provisions for City Development & Neighbourhoods projects were still awaiting formal approval for allocation to specific schemes.

Service Area	Project	Amount £000
Planning, Transportation and Economic Development	Economic Action Plan Phase 2	1,032.0
	Ashton Green Infrastructure	1,640.0
	Parking Strategy Development *	1,400.0
	Air Quality Action Plan *	740.0
	Local Environment Works *	700.0
Local Services & Enforcement	Replacement of Library Management System *	150.0
Property Services	Property Maintenance *	3,400.0
Housing Revenue Account	New Affordable Housing	954.0
	New HRA Schemes	300.0
Total		**10,316.0**

*These policy provisions cover up to three years.

Corporate Resources

1. Summary

1.1. The projects comprising the Corporate Resources capital programme had spent all of their approved capital programme of £2.8m during the financial year.

1.2. The following table shows the split of the capital programme by division:

Project	Approved £000	Spend £000	Profiling £000	Slippage £000	Saving £000	% Spent
Financial Services	1,038.0	1,038.0	-	-	-	100%
Information Services	104.0	104.0	-	-	-	100%
Corporate Loans	1,700.0	1,700.0	-	-	-	100%
Total	**2,842.0**	**2,842.0**	**-**	**-**	**-**	**100%**

1.3. Two loans totalling £1.7m were made to Leicestershire County Cricket Club to assist them in developing the ground to increase income generation. The first loan of £1.0m was repaid by the English Cricket Board in January, before the second loan of £0.7m was granted.

Capital Receipts

1. Summary

1.1. During the 2016/17 financial year, the Council realised £7.8m of General Fund capital receipts. These include the sales of Brookside Court, Herrick Lodge and Layton House.

1.2. The approved capital programme assumed that any capital receipts received since the programme was prepared would be set aside for the 18/19 programme. Thus, none of these receipts are required to fund the current programme. Taken together with receipts received at the end of 2015/16, £13.8m will so far be available when the programme for 18/19 is prepared.

1.3. Right to Buy receipts this year have amounted to £17.7m. Since the Government relaxed the rules, RTB receipts have increased significantly, and are 84% up on last year. Under Government rules, 2016/17 RTB receipts are expected to be allocated approximately as follows:

- 50% ringfenced for one-for-one replacement of affordable housing
- 35% ringfenced for the repayment of debt
- 10% payable to the central government housing pool
- 5% available for financing of eligible capital schemes

1.4. Of receipts set aside for new house building, the uncommitted balance now stands at £18.6m. The intention is that these are used in substantial part to support extra care, but as explained at para 2.8 of Appendix B above these schemes are currently on hold.

Income Collection April 2016 – March 2017

Decision to be taken by: N/A

Executive meeting date: 25th May 2017

Overview Select Committee date: 22nd June 2017

Lead Director: Alison Greenhill

Useful information

- Ward(s) affected: All
- Report author: Jon King, Accountant
- Author contact details: X374043 and Jon.King@leicester.gov.uk

1. Summary

The report details progress made in collecting debts raised by the Council during 2016-17, together with debts outstanding and brought forward from the previous year. It also sets out details of debts written off under delegated authority that it has not been possible to collect after reasonable effort and expense.

The headline collection rate for Council Tax exceeded that achieved for 2015/16. The NNDR collection rate is slightly down on last year but remains close to the average collection rate achieved over the last six years. Housing Rent arrears fell during the year. For other income, the absolute level of debt has fallen significantly. More significantly, however, there has been substantial progress in reducing the level of debt which is over one year old. For HB debt although the overall sum owed has increased, more debt was invoiced and more debt was collected than in 2015/16, leaving a lower volume of debt still subject to invoicing. This progress is encouraging and efforts will be continued to collect overpaid housing benefit in advance of the new universal credit regime.

Figures shown in this report need to be seen in the context of the total amount of income (i.e. credit and cash) collected by the Council each year, which amounts to approximately £0.4bn.

2. Recommendations

The OSC is recommended to:

Consider the overall position presented within this report and make any observations it sees fit.

3. Supporting Information

Appendices A and B to this report provide the main supporting information to this report.

4. Financial, legal and other implications

4.1 Financial implications

The report details the current collection and write-off levels of sums payable to the City Council.

4.2 Legal implications

Where appropriate debts are the subject of legal action through the courts. Jeremy Rainbow – Principal Lawyer (Litigation) x371435

4.3 Climate Change and Carbon Reduction implications

No climate change implications.

4.4 Equality Impact Assessment

The Council has to make every effort to collect its due debts. The Council adopted a new Debt Policy in June 2016. The new policy is aimed at ensuring that the Council collects debt in a fair, proportionate and respectful manner.

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

None

5. Background information and other papers:

Finance Procedure Rules

Debt Policy

Background information is given in Appendix A

5. Summary of appendices attached:

Appendices A & B – Background information, detailed collection performances and schedule of write-offs.

6. 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

APPENDIX A

1. Background Information & Purpose Of Report

1.1 The Council collects approximately £0.4bn worth of income every year. This is in respect of a wide variety of services and from a wide variety of individuals and organisations. Some is collected from businesses (i.e. Business rates), some from every household (i.e. Council Tax), some from tenants of the Council's houses , and from numerous other sources including charges for the use of Council facilities, commercial rents from factory units, adult care charges, the recovery of overpaid Housing Benefit, parking fines and charges to schools and other public sector bodies for services provided.

1.2 Some income is collected at the point of sale as cash or credit/debit card payments. The rest is subject to an invoice being raised by the Council for an amount due (whether payable as a one-off sum or periodically through the year).

1.3 This report, which is a requirement of the Council's Finance Procedure Rules, details progress made in collecting debts raised by the Council during 2016-17. It is important to highlight that the figures quoted in this report are at a particular point in time and only reflect transactions up to and including the 31st March 2017.

2. Collection Data

2.1 Detailed collection performances are included in the main body of the report. The headlines are summarised in the following table;

Income Type	**Performance**		
	2016-17 IN-YEAR COLLECTION RATE	2015-16 IN-YEAR COLLECTION RATE	POSITION AGAINST COMPARATOR LAs
Non Domestic Rates	96.71%	97.16%	7th out of 9
Council Tax	95.22%	95%	4th out of 10
Other Income	Debts over 12 months old amounted to £4.853 @ 31st March 2017 – this compares to £7.34m @ 31st March 2016.		

2.2 The headline values of debt brought forward, raised, collected, written-off and carried forward at the year-end are shown below;

Income Type	Debts brought forward @ 1/4/2016 £m	Amounts raised* 2016-17 £m	Amounts collected £m	Amounts written off** £m	Debts outstanding@ 31/3/2017 £m
Non Domestic Rates	7.64	106.72	(103.86)	(0.85)	9.65
Council Tax	12.74	113.62	(111.97)	(1.00)	13.39
Summons Costs (for NDR and CT)	1.29	1.40	(1.02)	(0.15)	1.52
Housing Benefit Overpayments	16.65	7.10	(5.57)	(0.43)	17.75
Council House Rents – Current Tenant Arrears	1.53	81.63	(81.70)	0	1.46
On and Off-Street Car Parking fines	1.03	2.70	(1.60)	(0.82)	1.31
Bus Lane Enforcement	0.12	1.30	(0.81)	(0.13)	0.48
Other Income	20.66	96.42	(99.42)	(1.82)	15.84
Totals	**61.66**	**410.89**	**(405.95)**	**(5.20)**	**61.40**

*For NDR and Council tax new debts are net of reliefs, credit adjustments, discounts and benefits. **Amounts written off are net of adjustments, dividends received in respect of bankruptcy or liquidation debts previously written off and debt write-backs. For Other Income amounts written-off are net of debt write-backs. The amounts listed in Appendix B are gross write-offs.

2.3 The report focuses on the collection performance of each main category of debt.

2.4 If a debt is irrecoverable after reasonable effort and expense has been made then it should be written off in accordance with Finance Procedure Rules. This report contains details of debts written off by income category and by reason at Appendix B.

3. <u>Collection Performance details</u>

3.1 <u>Non-Domestic Rates</u>

3.1.1 National non-domestic rates (NNDR) or business rates are collected from businesses by councils. The amount collected is based on the rateable value of individual business properties and a nationally set rate in the pound. Currently 50% of business rates are paid to Government to be redistributed. 50% are retained locally (of which 1% is due to the Combined Fire Authority and 49% is kept by the City Council).

3.1.2 There are approximately 12,000 business premises in Leicester City. Rates due for 2016-17 amounted to £107.2m and together with arrears brought forward of £7.2m mean that £114.4m was due for collection from 1/4/2016.

3.1.3 A key measure of the Council's effectiveness in collecting this tax is the percentage of debt collected in the year in which it is raised (i.e. the percentage of the 2016-17 business rates actually paid before 31st March 2017). As at 31st March 2017, the collection rate for the year was 96.71%. This compares with 97.16% in 2015-16 and 97.56% in 2014-15.

3.1.4 The Council benchmarks collection performance with a number of other authorities. Against those authorities with a population in excess of 250,000

Leicester were 7th highest out of 9 authorities. The collection performance of business rates can be subject to volatility from one year to the next because of empty or void properties. There have also been delays in receiving corrected rateable values from the Valuation Office and in some cases additional information required for consideration of rate relief was still outstanding at the year end.

3.1.5 An external supplier has been appointed who assists with recovery on difficult targeted cases.

3.1.6 In respect of earlier years' charges £2.379m was collected and together with debt reductions (due to rateable value adjustments) and the writing off of irrecoverable debt, there was an overall reduction from £7.2m in April 2016 to £4.703m.

3.1.7 During the year £0.86m (including costs) has been written off. The values and reasons for write off are detailed in Appendix 1 of the report.

3.2 Council Tax

3.2.1 Council Tax is the means by which local citizens contribute to the net cost of council services. One bill is issued to each home in the City and is based on the valuation band (eight in all) the property has been assessed in. In total the amount required from Council Tax represents approximately 25% of the Council's Net Budget requirement.

3.2.2 There are now over 135,000 domestic properties in Leicester. Council Tax due for 2016-17 is approximately £113.7m and together with arrears brought forward of £12.7m mean that £126.4m was due for collection from 1/4/2016.

3.2.5 The amount of debt due to be collected at the same time last year, including the arrears brought forward was £119.1m. This increase is primarily a result of an overall increase in Council Tax of 4%, additional properties in the city, and fewer people claiming from the council tax support scheme.

3.2.6 As with Non Domestic Rates, a key measure of the Council's effectiveness in collecting this tax is the percentage of debt collected in the year in which it is raised. The collection rate target for the year was set at 95.0%, which reflects the difficulties some tax payers face. As at 31st March 2017, 95.22% of the debt due for the current financial year had been collected. The rate compared to 95% achieved for 2015-16. The outstanding debt will continue to be collected in 2017-18. Within our recovery process, we have put in safeguards to protect the most vulnerable.

3.2.7 In relation to our benchmarking group of authorities, the collection performance to 31st March 2017 placed us 4th out of 10 authorities with populations in excess of 250,000.

3.2.8 In respect of earlier years' charges, £3.761m has been collected since 1st April 2016 and together with changes in customer liability and the writing off of debts the overall debts have been reduced from £12.7m to £8.4m.

3.2.9 For 2016-17, 135,520 dwellings were billed for Council Tax. 73,187 reminders have been issued to non-payers and 26,528 summonses were subsequently issued (24,674 in 2015-16 for the same period). 13,002 cases were referred to Enforcement Agents (Bailiffs) for collection (11,755 in 2015-16) in relation to outstanding debts for all years.

3.2.10 The Council has service level agreements with all enforcement agencies it uses and these contain codes of conduct in line with “The Taking Control of Goods Regulations 2013”. These agreements detail the procedure which enforcement agents must follow when seeking to take control of goods and selling them to recover a sum of money.

3.2.11 During the financial year £1.138m (including costs) has been written off. The values and reasons for write off are detailed in Appendix B of the report.

3.3 Court Summons Costs

3.3.1 Costs are added to all local taxation bills when liability orders or other court orders are issued for non-payment. A set rate for costs is determined by the courts and reviewed each year. These are then collected with the local tax in question but are monitored separately. The level of outstanding costs as at 31st March 2017 was £1.53m.

3.4 Overpaid Housing Benefit

3.4.1 The main cause of Housing Benefit overpayments are delays in recipients telling the Council of changes in their circumstances. The Council reminds recipients of their obligations in this respect in all letters sent out. Collecting overpaid Housing Benefit debt is a national problem and levels are rising. This is partly due to fraud reduction initiatives, under which the Government has matched benefit data with other data they hold, and which was previously unavailable to us. This has identified overpayments, some going back over a number of years, which are then very difficult to collect. The Government is taking these steps now to enable a “clean” caseload to be inherited when universal credit is introduced.

3.4.2 Between 1st April 2016 and 31st March 2017 £7.1m of new overpayments have been identified and a total of £5.57m of debt collected. In addition £419k of write-offs has occurred. For accounting purposes, our accounts assume that much of the total sum owing will not be collectible although we robustly pursue this debt until it is deemed non-collectable.

3.4.3. Of the total of £17.74m outstanding debt, £4.47m is subject to deductions from on-going benefit, with a further £970k awaiting to be set up to recover from on-going benefit. £10.84m has been invoiced and is subject to recovery action, with a further £1.46m being subject to invoicing in the near future.

3.4.4 Extra resources are still being used to enable the backlog of debt yet to be invoiced to be cleared.

3.4.5 For persons having overpayments recovered from on-going benefit, when they transfer to Universal Credit recovery will cease via that means. The Council will have to make a request for attachment to benefits. If there are 3 or more attachments already set up against an individual debtor the DWP will decline the request and the Council will seek to recover via alternative means.

3.4.7 Where possible, invoiced Overpaid Housing Benefit debt will be collected via an attachment to a prescribed benefit, Direct Earnings Attachment or via Third Party Debt Orders which permit the freezing of bank accounts to enforce payment.

3.5 *Housing Rents*

3.5.1 The City Council manages approximately 20,700 tenancies across the City. Most tenants are on low income and some 61.1% of tenants are on full or partial Housing Benefit. This equates to £0.834m per week being paid directly to the Council in Housing Benefit payments.

3.5.2 For those tenants not on full Housing Benefit (approx. 14,265), rent payments are due weekly in advance and for 50 weeks of the year (i.e. there are two "rent free" weeks).

3.5.3 The roll out of Universal Credit started in January 2016, initially for single (childless) people with new claims and changes of circumstances. The latest indication of the timetable to migrate existing claimants and families to universal credit is that the Government hope to complete this by the end of 2022. However, all claimants will be affected from March 2018. As individuals are moved onto the new arrangements, those tenants of working age who currently receive full Housing Benefit will need to pay their full rent themselves (universal credit is paid to claimants in cash). Some vulnerable people will still be able to have their Housing Costs element paid direct to the landlord.

3.5.4 The ultimate sanction for non-payment of rent is eviction. During 2016-17, 54 evictions for rent arrears took place. For 2015-16 the equivalent figure was 52.

3.5.5 For 2016-17 the average rent decreased by 1%. This led to a gross charge of £81.628m for the year. £81.7m was collected (HB and Cash) leaving arrears at the financial year end of £1.461m. This represents a reduction of 4.7% from the opening arrears figure of £1.533m.

3.6 *Other Income*

3.6.1 The Council's Business Service Centre is responsible for collecting most of the other sources of Council income. Other income includes sums charged for various services such as adult social care, cemeteries and crematorium, and commercial rents for Council owned property. It also includes the recovery of debts owed for things like former council tenant rent arrears. Because substantial sums can also be invoiced at any given time the level of debt outstanding at any point is volatile.

3.6.2 For this reason, the best indicator of performance is debt which is over 12 months old. The level of debt over 12 months old has reduced from £7.34m to £4.85m.

3.6.3 The reduction has occurred as a result of a combination of effective debt recovery initiatives and, where appropriate, debt write-offs. Specific recovery action includes;

- The use of high court enforcement officers,
- working closely with Adult Social Care to review provision of care for non-payers,
- The use of on-line and agency tracing services, and of enforcement agents for debts less than £600 where court action is expensive.
- Outbound telephony campaigns
- a significant drive during the year to increase the numbers of debtors on payment plans. For old debt the value of debts subject to payment plans has risen from £1.124m to £2.521m. This increase has relied upon a review of individual debt cases, challenging those who wish to repay debt beyond 12 months, and requesting the completion of income & expenditure forms, before agreeing a payment plan.

3.6.4 The Exchequer Team continues to enforce in its own right, high volume, low complexity, debt via the HM Courts & Tribunal Service using Money Claim Online, a faster, secure method of expediting debt with reduced court fees for both debtor and applicant. This is used as a final tool for compelling payment when all other collection options fail. The value of debts subject to legal enforcement activity by the Team has risen from just over £1m at the beginning of the year to £1.59m by the end of the year

3.6.5 The above debts are recorded on the Council's Accounts Receivable (AR) system. For residential care clients a deferred payment scheme exists for residential care charges – this limits how much has to be paid whilst the client is in care – the difference between the amount paid and that chargeable accrues over time and is subject to a charge on their property. Debts are not raised for this until the care service being provided ceases. As at 31st March 2017 a total of £1.05m was outstanding and related to 58 clients, which is additional to the above sums.

3.7 *On and Off-Street Parking and Bus Lane Enforcement Fines*

3.7.1 The Council runs eight "pay and display / pay on foot" car parks (Granville Road and Victoria Park have been merged) in the City with a total of 1,632 spaces. In addition there are approximately 1,270 "pay and display" on-street parking spaces. Penalty Charge Notices (PCNs) are issued by enforcement officers for both on street and off street parking charge evasion, as well as for illegal parking (e.g. parking on yellow lines).

3.7.2 PCNs are handed to drivers or fixed to the windscreens of cars and include details of how payment should be made. Two nationally set rates apply (£50 and £70), based on the seriousness of the offence. If payment is made within 14 days, a 50% discount applies (i.e. the fine reduces to £25 or £35) and the 'debt raised' amount is reduced accordingly.

3.7.3 Of the tickets issued since 1st April 2016, 75% had been paid by the end of the year. This is very close to the comparative rate for 2015/16 of 76%.

3.7.4 Bus Lane Enforcement is now in place on Charles Street - northbound and southbound, Causeway Lane, Rutland Street, Horsefair Street (since January 2017) and the A426 Lutterworth Road (since November 2016). Fines are levied at the rate of £60, which is discounted to £30 if paid within 14 days.

3.7.5 The volume of fines issued is significantly higher than for 2015/16 and reflects the opening of three new bus gates during the second half of the year at Soar Valley Way, Middleton Street and Horsefair Street. The level of fines at these three locations will reduce over time.

3.7.6 Of the tickets issued since 1st April 2016 51% had been paid by the 31st March 2017. This compares to 62% for 2015/16. The main cause of the reduction is the introduction of payment plan facilities to drivers, whereby they can pay their debts off in instalments - the ticket isn't counted as paid until the full amount due is received.

4. Consultations

Revenues & Customer Support and the Business Service Centre are both part of Financial Services. Housing and the Traffic Management Service have supplied the remaining information and have been consulted in the preparation of this report.

REPORT AUTHOR/OFFICER TO CONTACT

Jon King
Accountancy Services
Ext. 374043

Appendix B

Schedule of Debts Written off Under Delegated Authority – 2016-17

Debt Type / Location ➔	Council Tax (Including Costs)		Non Domestic Rates (Including Costs)		Income Collection, Overpaid HB and Former Tenant Arrears, and Car Parking/BLE fines		Total	
Reason for Write Off ⬇	No.	Value £	No.	Value £	No.		No.	Value £
Unable to Trace	890	570,631.79	48	189,936.27	9,310	1,258,708.22	10,248	2,019,276.28
Deceased – No Assets	74	33,533.28			1,003	402,296.89	1,077	435,830.17
Insolvent / Bankrupt/ Liquidated	182	130,501.35	200	698,117.37	210	107,560.08	592	936,178.80
All recovery options exhausted / irrecoverable at reasonable expense	2,183	479,183.43	104	36,458.93	10,378	1,433,313.47	12,665	1,948,955.83
Totals	3,329	1,213,849.85	352	924,512.57	20,901	3,201,878.66	24,582	5,340,241.08

Appendix D

Leicester City Council

Review of Treasury Management Activities 2016/17

Decision to be taken by: City Mayor

Executive meeting date: 25th May 2017

Overview Select Committee date: 22nd June 2017

Lead director: Alison Greenhill

Useful information

- ■ Ward(s) affected: All
- ■ Report author: David Janes
- ■ Author contact details: Ext 37 4058

1. Summary

Treasury Management is the process that ensures that the Council always has enough cash to make the payments that are necessary for its operations, and this involves both borrowing and investment. The Council's borrowing totals some £240 million; and during 2016/17 its investments varied from below £160 million to over £230 million depending on circumstances.

No new loans have been borrowed and no debt restructuring has taken place.

The Council has a prudent approach to treasury management. It does not borrow more than it needs; generally preferring to use cash balances as an alternative to borrowing. In recent years we have not needed to borrow at all. It only lends money to the safest institutions or funds.

We have monitored and continue to monitor the impact of the "Bail in" requirements for major depositors such as ourselves to inject funds into banks which are running into trouble. A linked matter kept under review are the measures that will be put in place to require banks to "Ring fence" bank deposits from other more risky activities. Banks have to complete this by 1st January 2019 but some banks plan to complete this earlier.

Our Treasury Strategy 2016/17 included prudential indicators and limits to help ensure that treasury management is prudent – we complied with these.

The Councils cash balances are high but interest rates are low and are expected to remain low for a number of years.

The report makes one limited reference to "Brexit" in that the referendum influenced a decision not to invest in a property fund during 2016/17. We will of course monitor the position during 2017/18 (which is not subject of the report) but "Brexit" it is unlikely to impact on treasury matters during 2017/18 except that it is one factor (among many) that financial markets will respond to.

2. Recommendations

2.1 The Executive is recommended to:

- Note the position detailed in the report.

2.2 The OSC is recommended to:

- Consider the position presented within this report and make any observations it sees fit.

3. Supporting information including options considered:

Appendix A reviews the delivery of Treasury Management services within the Council in 2016/17.

4. Financial, legal and other implications

4.1 Financial & Legal implications

This report is solely concerned with financial issues.
Alison Greenhill, Director of Finance, Ext 37 4001

4.2 Climate Change and Carbon Reduction implications

This report is solely concerned with financial issues.

4.3 Equality Impact Assessment

No Equality Impact Assessment (EIA) has been carried out as this is not applicable to a report dealing with treasury matters.

4.4 Other Implications

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/People on low income	No	-
Corporate Parenting	No	-
Health Inequalities Impact	No	-

No other implications are noted as this is a budget monitoring report, and therefore no policy changes are proposed.

5. Background information and other papers.

Treasury Strategy 2016/17 – Council 21st January 2016
Framework for Treasury Decisions – Council 29 March 2012.

6. Summary of appendices:

Appendix A – Review of Treasury Management Activities 2016/17

7. Is this a private report?

No

Leicester City Council

WARDS AFFECTED:
ALL WARDS (CORPORATE ISSUE)

EXECUTIVE	**25th May 2017**
OVERVIEW SELECT COMMITTEE	**22nd June 2017**

REVIEW OF TREASURY MANAGEMENT ACTIVITIES 2016/17

Report of the Director of Finance

1. **Purpose of Report**

1.1 This report reviews how the Council conducted its borrowing and investments during 2016/17.

1.2 2016/17 has seen continued economic growth in the UK and elsewhere. However, there are risks and this is discussed further in section 5.

1.3 We continue to monitor the impact of the “bail in” requirements for major depositors to inject funds into banks which are running into trouble, introduced earlier in the year. This is further discussed below.

2. **Summary**

2.1 Treasury Management is the process that ensures that the Council always has enough cash to make the payments that are necessary for its operations, and this involves both borrowing and investment. The Council’s borrowing totals some £240 million; and during 2016/17 its investments varied from below £160 million to over £230 million depending on circumstances.

2.2 The Council has a prudent approach to treasury management. It does not borrow more than it needs; generally preferring to use cash balances as an alternative to borrowing. In recent years we have not needed to borrow at all. It only lends money to the safest institutions or funds.

2.3 The report commences with an overview of treasury management, including loans and investments at key dates. It then reviews the credit worthiness of investments and implementation of our strategy, provides outcomes on key performance measures and concludes by reviewing compliance against limits set by the Council.

3. **Recommendations**

3.1 Members of the Overview Select Committee are recommended to note the report and make any comments to the Director of Finance and the Executive as they wish.

4. **Overview of Treasury Management**

Main elements of Treasury Management

4.1 There are two main elements to treasury management. The first is managing our borrowings which have been taken out to finance capital expenditure. Most capital schemes are now financed by grant, and only a limited number of schemes of local significance are financed by borrowing. In the past the Government expected us to borrow but allowed for the cost of borrowing in our grant settlement, and we still have a lot of debt which was taken to meet this capital expenditure.

4.2 Historic debt can sometimes be restructured to save money, i.e. repaying one loan and replacing it with another and this is always given active consideration. In recent years, Government rule changes have normally made this prohibitively expensive.

4.3 The revenue budget approved by the Council for each financial year includes provision for the interest payable on this borrowing. It also includes a provision for repaying the borrowing over a number of years (broadly speaking over the economic life of the assets acquired).

4.4 The second element is cash management which involves managing the Council's investments to ensure the optimum amount of money is in the bank account on a day-to-day basis – so that there is enough money in the account to cover the payments made on the day but no more (cash held in the bank account earns neglible interest).

4.5 The Council has substantial investments but this is not "spare cash". Some comes from grants received in advance of expenditure and from reserves held for designated purposes. It also includes money set aside to repay debt but which has not been used to repay debt due to the punitive charges referred to above.

4.6 There is a budget for interest earned on investments as part of the Council's revenue budget.

Treasury Management Policy and Monitoring

4.7 The activities to which this report relates were governed by the Treasury Strategy for 2016/17 which was approved by the Council on 21st January 2016. This establishes an outline plan for borrowing and investment. The strategy is drawn up in the light of the Council's expected borrowing requirements, its expected cash balances, the outlook for interest rates and the credit worthiness of the banks with whom the Council might invest its cash balances.

4.8 A twice-yearly report is submitted to your Committee reviewing the treasury activity undertaken in the year. This report is the full-year report for 2016/17

Loans and Investments at Key Dates

4.9 Table 1 below shows the loans (money borrowed by the Council) and investments (money invested by the Council) at 03/11/2016 and 31/03/2017. The rates shown are the averages paid and received during 2016/17.

4.10 It can be seen that the level of gross debt (total loans borrowed) is unchanged at a level of £239m. No new loans have been borrowed and no debt restructuring has taken place.

4.11 Investments have decreased by £38m from £219m to £181m. This movement is broadly in line with expectations – cash balances at mid-year are typically high and subsequently decrease over the remainder of the financial year.

Table 1- Loans & Investments

	Position at 03/11/2016 Principal £M	**Position at 31/03/2017 Principal £M**	**Average Rate**
Long Term Fixed Rate Loans			
Public Works Loan Board (PWLB)	134	134	4.2%
Market & Stock	9	9	7.0%
Variable Rate Loans			
Bank Loans	96	96	4.4%
Gross Debt	239	239	4.4%
Investments			
Banks and Build Soc	82	73	
Other Local Authorities	110	100	
Government Debt Management Office	7	-	
Money Market Funds	20	8	
Total Investments	219	181	0.6%
NET BORROWING	**20**	**58**	

5. **Credit Worthiness of Investments**

5.1 2016/17 showed continued economic recovery within the UK economy and within the world economy. Within the Eurozone, economic and financial tensions have eased (especially in respect of Greece) but significant underlying issues remain. The impact of the EU referendum on the economy remains to be seen.

5.2 A number of countries present political risks over the next 12 months with elections or referenda. In France and Germany the presidential elections of recent months will be followed by legislative elections. China, which now has a significant impact on the world economy, faces the challenge of reforming its economy and ensuring that a managed slowdown in its rate of growth does not overshoot.

5.3 The economic consequences of the change in US administration remains to be seen. Taxation changes, if enacted, may boost demand within the US and lead to the repatriation of US companies' overseas holdings of dollars. The potential impact on the world economy may be significant, but is difficult to predict as such changes may impact on a number of markets including those dealing with currencies, government bonds and shares.

5.4 The governments of the largest world economies, including the UK, have implemented measures to make banks less likely to fail but also to reduce the impact on the financial system and on tax payers if they do fail. The measures for dealing with a failing bank see investors who have lent or deposited money taking significant losses before there is any tax payer support ("bail in"). Our assessment of risk is based both on the risk that banks fail (as measured by credit ratings) and also on the level of losses that we might face should the banks fail (or more likely require capital support to prevent failure)

5.5 These developments were reflected in the Council's approach to managing credit risk in its Treasury Strategy for 2016/17. It has adopted a cautious stance over the whole period covered by this report and has only directly lent to strong UK banks, other local authorities and the UK Government.

5.6 The position remains under review. One factor is that other regulatory developments are continuing to require or push banks towards greater financial robustness in terms of their liquidity (their ability to sustain large outflows of cash) and capital strength (their ability to absorb losses). One matter kept under review are the measures that will be put in place to require banks to "ring fence" bank deposits from other more risky activities. Banks have to complete this by 1st January 2019 but some banks plan to complete this earlier. The transition to these new arrangements creates some uncertainties and on a precautionary basis we have recently shortened the maximum period for which we will lend to some UK banks.

5.6 The Council has an indirect exposure to non-UK banks through its investment in money market funds. Money market funds are like "unit trusts" but rather than investing in company shares these funds invest in interest bearing investments such as bank deposits. When we open such funds they are vetted to ensure that they have strong investment and risk management processes to ensure a high level of credit worthiness in the underlying investments, and we receive advice from our treasury advisor, Arlingclose. Investing in this way helps manage credit risk by having a high level of diversification amongst the underlying banks and institutions to whom money is lent.

5.7 Most commentators believe interest rates will remain at historic low levels for a long time. If anything the indications are that rates are likely to remain low for longer than was envisaged when the 2016/17 strategy was set.

5.8 The Treasury Strategy 2016/17 permits investment in a property fund and serious consideration was given to that possibility earlier in that year. At that stage it was considered that the referendum on UK membership of the EU presented too many risks and uncertainties. This was confirmed by the fact that following the vote in favour of “Brexit”, the value of property funds fell and many funds blocked investors from selling their investments. These blocks have now been removed and it is considered that there is a good case for serious consideration of a cautious, limited, investment in a property fund and this is currently being explored for 2017/18.

5.9 The Council does not invest with the Co-op bank because of its weak financial state. It does, however, have a credit exposure to the Co-op bank in respect of balances held for operational purposes. This arises in respect of payments of Council Tax, rent etc. through the “Paypoint” system because the payments are processed through a Co-op bank account. A new supplier of this service has been appointed who does not process payments through the Co-op and when this new contract starts the credit exposure will cease. XXXX judging from last week’s news it sounds like we will know very soon what is happening with the Co-op bank, in which case we will redraft this paragraph as appropriateXXXX

6. Implementation of Borrowing & Investment Strategy

6.1 The strategy approved by Council for 2016/17 envisaged using cash balances instead of borrowing, and this strategy has been adhered to.

6.2 Given that the Council continues to have a high level of investments active consideration is given to the possible early redemption of a limited amount of debt. This, however, is not straightforward as debt repayment usually involves the payment of a premium. The level of such premiums payable in 2016/17 is too high for premature debt redemption to be viable.

7. Other Sources of Capital Finance

7.1 Major assets are funded primarily by grant or capital receipts. The acquisition of smaller assets such as vehicles and computer equipment can be financed by borrowing or leasing and a comparison is made in order to choose the option that is most cost effective. During the period under review, leasing has not been used, and assets have been bought outright.

8. Key Performance Measures

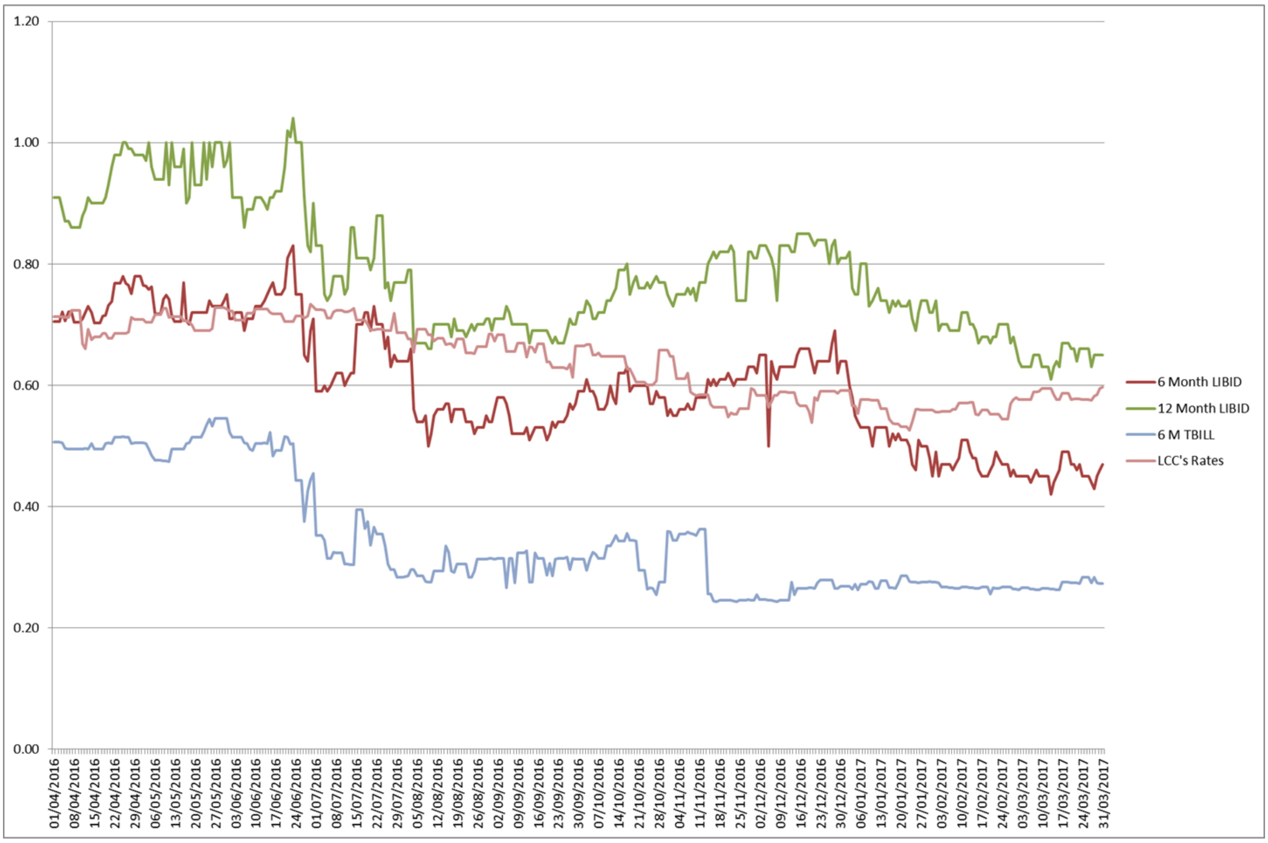
8.1 The most important performance measures are the rate of interest on the Council’s borrowings, the timing of borrowing decisions, the timing of decisions to prematurely repay debt and the return on investments. However, no new loans have been borrowed and no existing loans have been prematurely repaid.

8.2 The Council benchmarks its investments and the latest data is for the first six months of 2016/17. The average rate of interest on investments for participating authorities over the first six months of 2016/17 is 0.86%. The Council’s own rate is lower: 0.67%. This difference in performance can be attributed in part to the average rate for all authorities being boosted by a number of authorities that have invested in external funds with investment returns of between 5% and 7%. Once these are excluded the average rate of other authorities is 0.57%. Full year data for 2016/17 is not yet available but if available it would most likely present a broadly similar position.

8.3 Higher investment returns are available if higher credit risk is accepted. However, the trade-off between risk and reward was considered when investment strategies were set for 2016/17 and in the current economic climate continues to be a most important consideration. The “return of the principal” is considered more important than the “return on the principal”, that is our primary concern is to ensure that the funds invested will be repaid on time and in full. This remains our approach during the current financial year.

8.4 During 2016/17 the average rate on the Council’s pool of investments, calculated on a daily basis, rose from 0.71% on 1st April 2016 to a peak of 0.73% in May and by 31st March had fallen to 0.60%. This movement in the interest rate earned has broadly tracked movements in market interest rates. The current view of most commentators is that interest rates are likely to remain low for a long time.

*** following graph to be removed from final version– but shows interest rate movements ***



9. **Use of Treasury Advisors**

9.1 The Council are advised by Arlingclose Ltd. They advise on all aspects of treasury management but their main focus is on providing advice on the following matters:

- the creditworthiness of banks
- the most cost effective ways of borrowing
- appropriate responses to Government initiatives
- technical and accounting matters.

10. **Compliance with the Council's Treasury Strategy**

10.1 As required by the statutory borrowing framework, the Council is required to set a number of prudential limits and indicators, and is encouraged to supplement these with local indicators when appropriate. These limits are set annually and can be found within the budget and Treasury Strategy.

10.2 For the operational implementation of the Council's Treasury Management Strategy the most important limits and indicators that need to be monitored throughout the year are:

- The authorised limit – the maximum amount of borrowing that the Council permits itself to have outstanding at any one time
- The operational limit – a lower limit to trigger management action if borrowing is higher than expected.
- The maximum proportion of debt that is fixed rate.
- The maximum proportion of debt that is variable rate.
- Limits on the proportion of debt maturing in a number of specified time bands
- Limits on sums to be invested for more than 364 days

10.3 These limits are monitored, and have been complied with.

11. **Financial and Legal Implications**

11.1 This report is solely concerned with financial issues. Kamal Adatia, Legal Services has been consulted as Legal Advisor and there are no legal issues.

12. **Other Issues**

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

13. **Background Papers**

13.1 The Council's Treasury Management Strategy - "Treasury Strategy 2016/17" – Council 21st January 2016. The Council's Treasury Policy Document – "Framework for Treasury Decisions" – Council 29 March 2012.

14. **Consultation**

14.1 Arlingclose Ltd (the Council's Treasury Management advisers).

15. **Author**

15.1 The author of this report is David Janes, Treasury Manager, on extension 37 4058.

Alison Greenhill
Director of Finance.