Leicester
City Council

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

13 February 2018

Sir or Madam

I hereby summon you to a meeting of the LEICESTER CITY COUNCIL to be held at the Town Hall, on WEDNESDAY, 21 FEBRUARY 2018 at FIVE O'CLOCK in the afternoon, for the business hereunder mentioned.

Kamal Adatia

**Monitoring Officer**

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**AGENDA**

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1. **LORD MAYOR'S ANNOUNCEMENTS**

2. **DECLARATIONS OF INTEREST**

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

4. **MATTERS RESERVED TO COUNCIL**

   4.1 General Fund Revenue Budget 2018/19 to 2020/21

   4.2 Housing Revenue Account (HRA) Budget (including HRA Capital Programme) 2018/19 – 2020/21

   4.3 Treasury Management Strategy 2018/19

## 5. ANY OTHER URGENT BUSINESS

## Fire & Emergency Evacuation Procedure

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- In the event of an emergency alarm sounding make your way to Town Hall Square and assemble on the far side of the fountain.
- Anyone who is unable to evacuate using stairs should speak to any of the Town Hall staff at the beginning of the meeting who will offer advice on evacuation arrangements.
- From the public gallery, exit via the way you came in, or via the Chamber as directed by Town Hall staff.

## Meeting Arrangements

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

- Please do not take food into the Council Chamber.

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

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

DECISIONS RESERVED TO COUNCIL

## 4.1 GENERAL FUND REVENUE BUDGET 2018/19 TO 2020/21

Council is requested to consider the City Mayor's proposed budget for 2018/19 to 2020/21. The technical recommendations to Council will be published ahead of the meeting on 21 February 2018.

A copy of the report is attached. Also attached are extracts from the following Scrutiny Committees and Commissions which considered the budget:

- Overview Select Committee – 1 February 2018
- Adult Social Care Scrutiny Commission – 23 January 2018
- Children, Young People and Schools Scrutiny Commission – 30 January 2018
- Economic Development, Transport and Tourism Scrutiny Commission - 7 February 2018
- Health and Well-being Scrutiny Commission – 11 January 2018
- Heritage, Culture, Leisure and Sport Scrutiny Commission – 9 January 2018
- Neighbourhood Services and Community Involvement Scrutiny Commission – 24 January 2018

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

## 4.2 HOUSING REVENUE ACCOUNT (HRA) BUDGET (INCLUDING HRA CAPITAL PROGRAMME) 2018/19 to 2020/21

Council is asked to consider approval of the City Mayor's proposed Housing Revenue Account budget (including HRA Capital Programme) for 2018/19 to 2020/21.

A copy of the report is attached. Also attached as part of the report are the minutes from the Housing Scrutiny Commission on 18 December 2017.

The Council is recommended to:

i) To approve the Housing Revenue and Capital budgets for 2018/19;

ii) To note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;

iii) To note the equality assessment of the proposed revenue and capital reductions required to present a balanced budget;

iv) To approve the approach to continue to implement the 1% reduction in rent;

v) To approve the proposed increase in service charges of 1% (excluding district heating and communal cleaning) and garage rent of 3.7%; and

vi) To approve the proposed rents for Hostels.

## 4.3 TREASURY MANAGEMENT STRATEGY 2018/19

The Director of Finance submits a report that proposes a strategy for managing the Council's borrowing and cash balances during 2018/19 and for the remainder of 2017/18.

The matter was considered at the Overview Select Committee on 1 February 2018 and a minute extract is attached to the report.

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

**Sir Peter Soulsby**
**City Mayor**

Leicester
City Council

**Council** **Date: 21st February 2018**

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# General Fund Revenue Budget 2018/19 to 2020/21

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**Report of the Director of Finance**

1. **Purpose**

1.1 The purpose of this report is to ask the Council to consider the City Mayor's proposed budget for 2018/19 to 2020/21.

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

2. **Summary**

2.1 The Council is enduring the most severe period of spending cuts we have ever experienced.

2.2 On a like for like basis, government grant has fallen from £289.2m in 2010/11 to an estimated £165.8m by 2019/20, a cut of 53% in real terms.

2.3 As a consequence of these cuts, the Council's budget (on a like for like basis) has fallen from £355.7m in 2010/11 to an estimated £287.2m in 2019/20. Despite this, spending on social care is demand led, and numbers of older people requiring care and looked after children have increased over this period. As a consequence, spending on all other services will fall from £192m to an estimated £90m, a cut of 62% in real terms.

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

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

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

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

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

2.7 This approach has served us well. Budgets for the period 2013/14 to 2015/16 contributed £42m to reserves, in order to buy time. In practice, the strategy has been sustained by the achievement of in-year savings which increased the amounts available. This has helped us to postpone the maximum impact of government cuts.

2.8 Since 2016/17, however, budgets have planned to take money from reserves rather than add to them. Reserves are consequently running out.

2.9 Because of the spending review approach, the Council has been able to balance the budget in 2018/19, making use of most of the remaining reserves. However, the outlook beyond 2018/19 is extremely difficult, as reserves will almost inevitably run out before 2020. There is very little hope of the strategy being extended this far.

2.10 Medium term budgets cannot be balanced without additional, deep, cuts. The forecast gap in 2019/20 is over £26m, and the current estimate of reserves to bridge this is less than £10m. Outstanding spending reviews will realise savings of £10m per year at the most.

2.11 The budget includes the costs of the pay offer for local government staff made in early December. This pay offer, following the end of the 1% public sector pay cap, will cost around 2.5% in each of the next 2 years. The budget assumes this will be accepted.

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

(a) The budget for 2018/19 has been balanced using reserves, and can be adopted as the Council’s budget for that year;

(b) A further round of spending reviews has commenced (“Spending Review 4”). This has allocated target savings of £20m across departments, and work to identify and achieve this level of saving is taking place;

(c) A more realistic assessment of the current outstanding reviews has been carried out, and a figure of £8.5m was rolled into the Spending Review 4 targets (rather than the formal outstanding amount of £12.8m). Of this £8.5m, £5.9m remains outstanding.

2.13 **What this means is that, in substance, the budget proposed is a one year budget with projections of the further cuts required beyond 2018/19.**

2.14 These cuts need to be planned over the next 12 months, and implementation commenced as quickly as possible. Any savings achieved before 2019/20 will increase the level of reserves available to support the budget in that year.

2.15 It cannot be stressed enough how difficult these cuts will be. We continue to face growth in social care costs, and it is not impossible that these services will consume an ever greater proportion of the budget (squeezing out the traditional services provided to the whole community). Government intentions for social care funding beyond 2019/20 are not known; a Green Paper planned for summer 2018 should give an indication of their plans, but it will be some time before any reforms have an impact on our costs.

2.16 It should also be noted that there are some significant risks in the budget – more so than usual. These are described in paragraph 16, and to help mitigate these, a contingency of £1m has been included in the 2018/19 budget.

2.17 Additionally, a number of departments are facing difficulties living within their existing budget ceilings. These pressures, and mitigating actions, are further described in paragraph 7 below.

2.18 The budget provides for a council tax increase of 6%, which is the maximum available to us without a referendum. 3% of this 6% is for the "social care precept" – the Government has permitted social care authorities to increase tax by more than the 3% available to other authorities, in order to help meet social care pressures. In practice, increasing our tax by an additional 3% will only meet a small proportion of the extra costs we are incurring.

2.19 In the exercise of its functions, the City Council (or City Mayor) must have due regard to the Council's duty to eliminate discrimination, to advance equality of opportunity for protected groups and to foster good relations between protected groups and others. The budget is, in effect, a snap-shot of the Council's current commitments and decisions taken during the course of 2017/18. There are no proposals for decisions on specific courses of action that could have an impact on different groups of people. Therefore, there are no proposals to carry out an equality impact assessment on the budget itself, apart from the proposed council tax increase (this is further explained in paragraph 11 and the legal implications at paragraph 21). Where required, the City Mayor has considered the equalities implications of decisions when they have been taken and will continue to do so for future spending review decisions.

## 3. Recommendations

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

(a) approve the budget strategy described in this report, and the formal budget resolution for 2018/19 which will be circulated separately;

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

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

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

(e) note my view that reserves will be adequate during 2018/19, and that estimates used to prepare the budget are robust;

(f) note the equality implications arising from the proposed tax increase, as described in paragraph 11 and Appendix Five;

(g) approve the prudential indicators described in paragraph 18 of this report and Appendix Three;

(h) approve the proposed policy on minimum revenue provision described in paragraph 19 of this report and Appendix Four;

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

(j) agree that finance procedure rules applicable to trading organisations (4.9 to 4.14) shall be applicable only to City Catering, operational transport and highway maintenance.

## 4. Budget Overview

4.1 The table below summarises the proposed budget, and shows the forecast position for the following three years:-

| | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|---|---|---|---|
| **Service budget ceilings** | 254.6 | 256.8 | 260.8 |
| **Corporate Budgets** | | | |
| Capital Financing | 14.0 | 13.8 | 13.3 |
| Miscellaneous Central Budgets | (3.5) | (3.2) | (2.9) |
| Corporate Contingency | 1.0 | | |
| Education Funding Reform | 3.8 | 3.8 | 3.8 |
| **Future Provisions** | | | |
| Inflation | | 6.9 | 11.3 |
| Planning provision | | 3.0 | 6.0 |
| **Managed reserves Strategy** | (10.2) | (9.7) | |
| **TOTAL SPENDING** | **259.7** | **271.3** | **292.2** |
| **Resources – Grant** | | | |
| Revenue Support Grant | 38.4 | 28.4 | 29.3* |
| Business rates top-up grant | 45.2 | 46.6 | 48.0* |
| New Homes Bonus | 6.2 | 5.5 | 4.2 |
| Adult Social Care Grant | 1.0 | | |
| **Resources – Local Taxation** | | | |
| Council Tax | 107.9 | 111.9 | 115.0 |
| Business Rates | 61.3 | 62.4 | 63.6* |
| Collection Fund Surplus / (Deficit) | (0.3) | | |
| **TOTAL RESOURCES** | **259.7** | **254.8** | **260.1** |

| | | | |
|---|---|---|---|
| Projected tax increase | 6.0% | 3.0% | 2.0% |
| Gap in resources | NIL | 16.5 | 32.1 |
| Underlying gap in resources | 10.2 | 26.3 | 32.1 |

*These figures are expected to be rolled into the new system of local government finance in due course (see para. 13.5).

4.2 Future forecasts are of course volatile and will change.

4.3 The forecast gap in 2019/20 and 2020/21 makes no allowance for most inflation (other than for pay awards). In real terms, the gap for 2020/21 is some £5m higher.

## 5. Council Tax

5.1 The City Council's proposed tax for 2018/19 is £1,506.98, an increase of just below 6% compared to 2017/18.

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

5.3 The total tax bill in 2017/18 for a Band D property was as follows:-

| | £ |
|---|---:|
| City Council | 1,421.69 |
| Police | 187.23 |
| Fire | 62.84 |
| **Total tax** | **1,671.76** |

5.4 The actual amounts people are paying in 2017/18, however, depend upon the valuation band their property is in and their entitlement to any discounts, exemptions or benefit. Almost 80% of properties in the city are in band A or band B.

5.5 The formal resolution will set out the precepts issued for 2018/19 by the Police and Crime Commissioner and the fire authority, together with the total tax payable in the city.

## 6. Construction of the Budget

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

(a) The level of council tax;

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

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

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

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

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

(c) Increases in pay costs have been added. The pay award for local government staff from April 2018 is yet to be agreed; a two-year offer averaging 2.5% p.a. was made in December. The trade unions are currently consulting their members on this offer, with the results expected to be known in mid-March. Budget ceilings in Appendix One have been calculated on the assumption that this offer is implemented.

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

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

(b) Foster care (2%);

(c) Costs arising from the waste PFI contract (3.8% - RPI).

6.5 The following spending review decisions have been formally taken since February 2017, and budgets reduced accordingly:-

| | **17/18 £000** | **18/19 £000** | **19/20 £000** |
|---|---|---|---|
| Transforming Neighbourhood Services | 9 | 51 | 122 |
| Cleansing | 365 | 508 | 700 |
| Early Help Remodelling | 1,200 | 3,500 | 3,500 |
| Civic & Democratic Services | 280 | 280 | 280 |
| Investment Property | 180 | 340 | 500 |
| Corporate Administration | 240 | 1,300 | 1,300 |
| Using Buildings Better / Channel Shift | 295 | 355 | 355 |
| Regulatory Services | 12 | 271 | 271 |
| Sexual Health | 245 | 245 | 245 |
| Lifestyle Services | 270 | 270 | 270 |
| Youth Services | - | 923 | 923 |
| Community Capacity | 62 | 125 | 125 |
| Park & Ride | - | 100 | 100 |
| Supported Housing | - | 250 | 250 |
| Tourism, Culture & Investment | 381 | 775 | 1,080 |
| | **3,539** | **9,293** | **10,021** |

Savings realised in 2017/18 are being used to support the managed reserves strategy into 2019/20.

6.6 A full schedule of reviews included in the programme is provided at Appendix Eight. In addition, departments have been asked to prepare plans to save an additional £20m by 2019/20, to address the remaining budget gap in that year. Work on these savings is ongoing, and has not yet been included in budget projections.

## 7. **How Departments will live within their Budgets**

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

Adult Social Care

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

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

(b) Increasing frailty and the impact of people having multiple health conditions that increase the level of care and support required (not just in older people, but also for adults of working age who are supported by the department);

(c) Increasing cost of packages after individuals have been assessed and care has started to be provided. In practice, this is proving to be an area of significant cost increase (projected at an average 5.7% on the original package cost);

(d) The National Living Wage – this was introduced by the Government in April 2016, and is due to increase in stages to over £8.50 per hour by 2020/21. These increases are creating substantial pressures for independent sector care providers, who are heavily dependent on a minimum wage workforce; and they will seek to pass on additional costs to local authorities.

7.3 The Government has partially recognised the difficulties facing adult social care, and has:-

(a) Permitted social care authorities to increase council tax by 6% in 2018/19 (as opposed to the usual referendum limit of 3%);

(b) Provided additional funds through the "Improved Better Care Fund" (iBCF). Monies available will rise to £15.5m by 19/20;

(c) Provided limited further funds for 2018/19 (only) by extending the "Adult Social Care Support Grant" for a further year. This will provide an additional £1 million in 2018/19.

7.4 These measures are far from adequate, and we have no indication of what will be provided beyond 2019/20 (we have simply assumed BCF amounts in 19/20 will roll forward at the same level).

7.5 In 2016/17, the Council recognised the growing costs of care, and a significant injection of funds was provided.

7.6 The department has estimated the impact of increased packages of care on its current budget, and is able to fund these from a combination of growth in BCF monies and some one-off monies:-

| | 18/19 £m | 19/20 £m |
|---|---|---|
| Forecast growth | 7.2 | 11.5 |
| **Funding** | | |
| Better Care Fund | 6.2 | 7.7 |
| CCG Income | 0.3 | 0.3 |
| One-off Monies | 0.7 | 3.5 |
| **Total funding** | **7.2** | **11.5** |

7.7 The use of one-off monies, and uncertainty about Government intentions, means that the position for 2020/21 and beyond is extremely vulnerable. Indeed, without additional funding, it is fair to say that social care provision (locally and nationally) will face crisis by 2020.

Education and Children's Services

7.8 The most substantial pressure facing the Education and Children's Services Department is increasing service demand. This manifests itself in growth in the numbers of looked after children (currently averaging 4% per annum). Like Adult Social Care, money was added to the budget in 2016/17, but this was predicated on an expectation that future growth could be curtailed. This has not proven to be the case.

7.9 The table below shows the cost pressures facing the department:-

| | £m |
|---|---|
| Looked after children – placement costs | 5.0 |
| Home to school transport | 1.2 |
| Other pressures | 1.1 |
| **Total pressures** | **7.3** |

7.10 In addition to looked after children, pressures have grown on home to school transport (the majority of which is itself caused by the increase in looked after children numbers). Other pressures arise for a number of reasons, principally due to increase in demand across all services and not realising some anticipated savings (although delivering some substantial transformation programmes).

7.11 A number of approaches are being adopted to mitigate these pressures, which include:-

(a) Reducing reliance on agency foster care, by recruiting 24 more internal foster carers. This is expected to save £0.9m by 2019/20;

(b) Reducing the number of external residential placements for looked after children (which are extremely expensive) by 10, by increasing semisupported accommodation and returning young people to Leicester through planned moves. This is expected to save around £1.3m per annum by 2019/20;

(c) Expansion of the multi-systemic therapy treatment teams. These provide intensive support to children and families to address the reasons underlying the need for intervention: expanding the teams and piloting a new intervention method (Functional Family Therapy) is expected to save £1.2m per annum by 2019/20;

(d) Reviewing all cases of home to school transport to ensure the existing policy is being consistently applied, and where appropriate ceasing existing arrangements. This is anticipated to save £0.7m per annum by 2019/20;

(e) An end to end review of all elements of SEN transport provision is planned. This will examine eligibility, use of independent travel and personal transport budgets, use of fleet and the potential for multi-authority and regional solutions.

7.12 However, these measures by themselves are unlikely to be sufficient. Wider strategies will be adopted to address increased demand and rising placement costs, which are described below. The department may also need to make further savings during the course of the year.

7.13 In respect of the less complex non-residential placement growth, these strategies include:-

(a) Adopting the “no wrong door” principle;

(b) Integration of YOS case workers and advocates with “edge of care” social work;

(c) Implementation of a “Signs of Safety” programme, to improve quality of work and better assessment of risk by workers.

7.14 To address more complex residential placements, the following work is taking place:-

(a) Compilation of a placement and commissioning sufficiency strategy;

(b) Monthly reviews of all residential placements to check whether the placement can be stepped down to less expensive care;

(c) Increased quality checks on the work of specialist residential homes;

(d) Earlier identification of complex cases with partners, to increase the number of joint funded placements as appropriate.

7.15 In addition to General Fund pressures, there are two other significant pressures affecting the department:-

(a) National changes in the education funding system have led to the loss of Education Services Grant (which was £4.5m in 2017/18). This will be replaced by a much smaller central services grant, and £2.8m of corporate funding has been made available to address the shortfall. However, the change will have a significant impact on the school improvement service, which will reduce in size by around £1m as a consequence;

(b) Significant pressure on the high needs block (HNB) element of Dedicated Schools Grant is anticipated. This is not part of the overall General Fund: whilst £1m of corporate funding has been provided, reflecting reduced general fund overheads, the balance will need to be resolved within overall schools' funding. Pressures have arisen because of numbers of SEND pupils rising in proportion to the overall increase in school age pupils, with some conditions (autism and mental health) increasing disproportionately. The funding formula only provides £4,000 per special school pupil for growth; actual costs per pupil range from £22,000 to over £70,000 per year. Changes to the national school funding formula will compound the problem, because the current flexibility to subsidise the HNB from mainstream school funding will reduce and may disappear altogether. The expected impact is a significant reduction in support services for SEND provided by the authority, although in the short term the cost will be met from reserves of Dedicated Schools Grant. A comprehensive review of all HNB expenditure is in progress.

City Development and Neighbourhoods

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

7.17 Historically, I have been able to report that the department has been able to live within its budget. This is now much more difficult. The department faces budget pressures of £1.5m in 2018/19 and beyond which can no longer be managed with service budgets. These arise from:-

| | **£m** |
|---|---|
| Waste management | 0.7 |
| Bereavement income | 0.4 |
| Leicester market | 0.4 |
| Total | 1.5 |

7.18 The pressures in **waste management** arise from a number of factors. These include the cumulative effect of increases in landfill tax rates since 2014/15; changes in Government regulations which mean that some waste from Wanlip has started to attract a higher rate of landfill tax; a shortfall of income at Gypsum household waste recycling centre, which can now be seen as permanent; and gradually increasing levels of waste going to landfill as the number of households rises.

7.19 **Bereavement income** has fallen on what appears to be an on-going basis due to competition from other facilities.

7.20 The income and expenditure budgets for **Leicester Market** need realigning in the light of current trends affecting markets nationally.

7.21 In addition, a new long-term contract for the provision and management of bus shelters is to be procured during 2018/19. The future income levels from advertising are uncertain, with a potentially significant short-term financial impact in 2018/19 and possibly also 2019/20 ahead of a new contract being developed and implemented.

7.22 The department faces a further temporary pressure in 2018/19 as a consequence of the spending review programme. The department has been a substantial contributor to the success of this programme, and decisions have been taken to reduce budgets by some £19m to date. Completed reviews include:-

(a) Technical Services - £10.1m;

(b) Investment Properties - £0.5m;

(c) Neighbourhood Services - £1.1m;

(d) Parks and Open Spaces - £1.7m;

(e) Homelessness Services - £1.5m;

(f) Cleansing and Waste - £0.7m;

(g) Regulatory Services - £0.4m;

(h) Tourism, Culture and Investment - £1.1m.

7.23 All these savings are expected to be delivered, but the Technical Services Review is running late. Certain preparatory and ancillary works to minimise the impact of savings have taken longer than anticipated and resulted in some programme drift. As a consequence, around £1.5m of further pressures exist within the 2018/19 budget.

7.24 In practice, whilst some of the pressures can be mitigated (e.g. a new sand classifier due to be delivered in February may reduce the landfill tax), the department will need to make further savings during the course of the year.

<u>Health and Wellbeing</u>

7.25 The Health and Wellbeing Division consists of core public health services, together with Sports and Leisure provision. It is partly funded from Public Health Grant and partly from the General Fund.

7.26 Public Health Grant is falling, by an expected £0.7m in each of 2018/19 and 2019/20. The department will manage these reductions through the spending review process. The following reviews are yet to finish and will ensure the necessary savings are achieved:-

(a) A review of sexual health services;

(b) A review of lifestyle services.

7.27 Both these reviews are on course to achieve the expected savings. The department is consequently able to live within its reduced level of budget (although it will also be expected to contribute to Spending Review 4 in due course).

7.28 Sport and Leisure Services are also subject to review, as part of the current spending review programme. A public consultation has recently been completed, and final proposals have been considered by Scrutiny.

Corporate Resources and Support

7.29 The key challenge facing the department is to be as cost effective as possible, in order to maximise the amount of money available to run public facing services. The department has achieved £14m of savings since 2011/12, and will inevitably need to save considerable further sums as part of the Spending Review 4 programme.

7.30 The department will manage within its budget ceilings for 2018/19, having absorbed new spending pressures. These pressures include:-

(a) Continuing reduction in housing benefit administration grant, received from the DWP. Grant received in 2019/20 will be less than half the £3.5m received in 2010/11;

(b) Pressures on the revenues and benefits service will increase with the "full service" roll out of Universal Credit in June 2018. This will be high risk in terms of delivery and customer impact;

(c) The department is working hard to retain levels of traded income, especially from the HR service to schools;

(d) The department has to facilitate a high level of change across the Council, with reduced staff. In particular, HR is affected by organisational change work, and a dramatic increase in employment case work volumes. Growth in the use of IT and the move to mobile working and greater use of on-line customer service channels continues to be a challenge for the IT division, and there are increasing needs to respond to the threats of cyber security. Legal Services faces an increased number of child care proceedings and contested debt.

## 8. Sums to be Allocated to Services

8.1 Unusually this year, there are no sums which are required to be allocated to services during the course of the year.

## 9. Corporately held Budgets

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

9.2 The budget for **capital financing** represents the cost of interest and debt repayment on past years' capital spending. This budget is not controlled to a budget ceiling, and is managed by the Director of Finance. Costs which fall to be met by this budget are driven by the Council's approved treasury management strategy, which will also be approved by the Council at your meeting. This budget is declining over time, as the Government now provides grant in support of capital expenditure instead of its previous practice of providing revenue funding to service debt.

9.3 A one-off **corporate contingency** of £1m has been created in 2018/19 to manage significant pressures that arise during the year.

9.4 Paragraph 7.15 above describes the **education funding reforms** that will come into effect from 2018/19. Whilst the Education and Children's Services Department is making changes to mitigate these effects, a provision has been made for funding reductions which the department is unable to mitigate.

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

## 10. <u>Future Provisions</u>

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

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

(a) Pay awards in 2019/20 and 2020/21. The current pay offer will cost an estimated £4.3m (2.5%) in 2019/20 (see paragraph 6.3 above). An assumed 1% pay offer is included for 2020/21 – however, if inflation remains relatively high, there is a risk that this provision will be insufficient;

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

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

11. **<u>Budget and Equalities (Hannah Watkins)</u>**

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

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

(a) eliminate discrimination;

(b) advance equality of opportunity between protected groups and others;

(c) foster good relations between protected groups and others.

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

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

11.5 This report seeks the Council's approval to the proposed budget strategy. The report sets out financial ceilings for each service which act as maxima above which the City Mayor cannot spend (subject to his power of virement). However, decisions on services to be provided within the budget ceilings are taken by managers or the City Mayor separately from the decision regarding the budget strategy. Therefore, the report does not contain details of specific service proposals. However, the budget strategy does recommend a proposed council tax increase for the city's residents. The City Council's proposed tax for 2018/19 is £1,506.98, an increase of just below 6% compared to 2017/18. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications. This is provided at Appendix Five.

11.6 In a nutshell, the likely impact on a household depends on whether or not the household is reliant on social security benefits.

11.7 The assessment of the council tax increase for 2017/18 suggested a very limited impact on the household finances of council tax payers who are <u>not</u> dependent on social security benefits as it was argued that the increase would be readily mitigated by increased levels of household discretionary income which had been seen nationally. However, more recently, we have seen that disposable income has fallen in real terms. This has multiple causes: slow wage growth (only partly offset by rising employment rates), welfare changes and inflation.

11.8 The table below (taken from the ASDA income tracker) shows the changes in disposable income for different brackets of household earnings and shows that families with the lowest income have seen the biggest reduction, whereas those in the top bracket have seen spending power increase year on year.

| Income Bracket | Weekly income | Weekly income growth | Weekly disposable income | Weekly disposable income growth |
|---|---|---|---|---|
| Highest income | £1,928 | 2.3% | £699 | 1.5% |
| 2nd highest | £935 | 2.0% | £259 | 0.2% |
| Middle | £606 | 1.6% | £110 | -3.5% |
| 2nd lowest | £379 | 1.0% | £48 | -10.0% |
| Lowest Income | £180 | 0.5% | £-26 | -25.9% |

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

11.9 60% of households saw their discretionary incomes decrease in the 12 months to August 2017. This reflects the continued pressure on household budgets. Inflation in a number of categories, from food prices to electricity and clothing, has increased the cost of essential spending substantially over the past months.

11.10 Having said this, in most cases, the change in council tax (maximum £1.27/week for a band B property) is a small proportion of disposable income, and a small contributor to the squeeze on household budgets.

11.11 Some households reliant on social security benefits are likely to be adversely affected by both an increase in inflation and further implementation of the Government's welfare reforms. Positively, many forecasters have predicted that inflation will have peaked in October 2017, before dropping back in 2018 as the impact of the pound's fall starts to fade.

11.12 The increase in tax alone would contribute only a small increase in weekly costs for many benefit dependent households, but it must be considered that there is also likely to be an adverse impact on some benefit dependent households arising from the **rollout of Universal Credit in summer 2018** and, therefore, there is likely to be a cumulative impact on those households.

11.13 The Council has a number of mitigating actions in place to provide support in instances of short term financial crisis.

11.14 Locally, Council services provide (or fund) a holistic safety net including the provision of advice, personal budgeting support, and signposting provision of necessary household items. It is important to note that these mitigating actions are now the sole form of safety net support available to households in the city. A House of Commons Works and Pensions Committee report in January 2016 ('The local welfare safety net') described this devolution of discretionary support to those in short term financial crisis to local government. There is now no other source of Government support available.

11.15 Since April 2013, as a consequence of the Government's welfare reforms, all working age households in Leicester have been required to contribute towards their council tax bill. Our current council tax reduction scheme (CTRS) requires working age households to pay at least 20% of their council tax bill, and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience. In order to apply for a Council Tax Discretionary Relief, a charge payer must have a Council Tax liability and:

- be in receipt of Council Tax Reduction; and/or,
- be in receipt of Universal Credit (UC); and/or,
- require further financial assistance; and/or,
- suffer hardship through an extreme event or natural disaster where their main or sole residence has structural damage, which could not reasonably have been rectified within the normal period of exemption.

11.16 Leicester is ranked as the 21st most deprived local authority in the country. In addition to provision of a 'local welfare safety net', council services seek to address inequalities of opportunity that contribute to this deprivation. They do this by seeking to improve equality of outcomes for those residents that we can directly support. The role of Adult Social Care is crucial in this context, and the approval of the additional 3% of council tax to maintain this service provision for a growing number of elderly people (and to a lesser extent, those people who require support arising from a disability) will directly contribute to improved outcomes related to health; personal safety; and personal identity, independence and participation in community life. There are likely to be significant equalities impacts should the council be in a position where they are unable to fund support for those who require it.

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

11.18 The Council has a legal duty to set a balanced budget. In the current financial climate, a lower council tax increase would require even greater cuts to services. While it is not possible to say where these cuts would fall (and therefore which specific groups would be affected), the users of Adult Social Care are mostly older people or, to a lesser extent, adults who have a disability and therefore there are likely to be negative equalities implications arising from a decision to implement a lower council tax increase.

## 12. Government Grant

12.1 As can be seen from the table at paragraph 4, Government grant is a major, though reducing, component of the Council's budget. Under the current funding system, Government support for the general budget principally consists of:-

(a) **Revenue Support Grant** (RSG). This is the main grant which the Government has available to allocate at its own discretion. Consequently, cuts to local authority funding are substantially delivered through reductions in RSG (and the methodology for doing this has disproportionately disadvantaged deprived authorities). The impact on the city has been dramatic (RSG is reducing from £133m in 2013/14, to an estimated £28m in 2019/20).

(b) A **top-up to local business rates**. The local authority sector keeps 50% of business rates collected, with the balance paid to the Government. In recognition of the fact that different authorities' ability to raise rates does not correspond to needs, a top-up is paid to less affluent authorities (funded by authorities with greater numbers of higher-rated businesses). Our top-up has been recalculated to take account of the effect of the 2017 business rates revaluation.

(c) **New Homes Bonus (NHB)**. This is a grant which roughly matches the council tax payable on new homes, and homes which have ceased to be empty on a long term basis. Since 2017/18, NHB is less generous than it was, although further changes planned for 2018/19 have been cancelled. These changes have been made to secure more resources for social care: in two tier areas, this transfers money from districts to counties; in our case, we are simply moving money from one pocket to another.

(d) The **Adult Social Care Support Grant** has been extended to 2018/19, in recognition of the ongoing pressures faced by social care authorities. In reality it is only meeting a part of the additional funds we have had to put into social care since 2016/17.

12.3 No figures have been made available for RSG after 2019/20 (in reality, it is likely to be absorbed into the next phase of business rates retention described in paragraph 13.5 below). The budget assumes no further cuts in RSG in 2020/21. In effect, we are assuming that the period of austerity will come to an end as far as local government budgets are concerned. This is a significant risk, which is discussed further at paragraph 16 below.

12.4 The Government also controls **specific grants** which are given for specific rather than general purposes. These grants are not shown in the table at paragraph 4.1, as they are treated as income to departments (departmental budgets are consequently lower than they would have been).

12.5 Some specific grants are subject to change:-

(a) The **Education Services Grant** has been cut as part of education funding reforms, as described at paragraphs 7 and 9 above;

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

(c) The **Better Care Fund** (BCF) has increased nationally, and the city is expected to receive £15.5m by 2019/20. This is not entirely new money – some is being met from cuts to NHB, and from a reduction in the amount available for RSG. Unlike the original BCF, this new tranche is a direct grant to local government, although strings have been attached.

12.6 In 2016, the Institute for Fiscal Studies (IfS) calculated the disproportionate impact of funding cuts on deprived authorities[1]. Since 2009/10, the 10% of authorities most reliant on grant have seen budget cuts averaging 33% in real terms. The 10% of authorities least reliant on grant have seen cuts averaging 9%. This is a consequence of various changes in the funding regime which have had different impacts, and (to some extent) contravened the Government's stated intentions of protecting the most grant-dependent councils. The IfS states that "the overall impression is of rather confused, inconsistent and opaque policymaking."

## 13. Local Taxation Income

13.1 Local tax income consists of three elements:-

(a) The retained proportion of business rates;

(b) Council tax;

(c) Surpluses or deficits arising from previous collection of council tax and business rates (collection fund surpluses/deficits).

Business Rates

13.2 Local government retains 50% of the rates collected locally, with the other 50% being paid to central government. In Leicester, 1% is paid to the fire authority, and 49% is retained by the Council. This is known as the "Business Rate Retention Scheme".

13.3 The rates collected from Leicester businesses changed from 2017/18, when a revaluation of all properties nationally came into effect. There is a transitional scheme which is phasing in increases and decreases over time.

13.4 Our estimates of rates income take into account the amount of income we believe we will lose as a consequence of successful appeals. The majority of appeals against the 2017 revaluation have not yet been decided, and appeals have been a source of volatility since business rates retention was introduced. The Government has recently taken steps to reduce this volatility, known as "check, challenge, appeal". The full impact of this policy will not be known for some time, but current indications are that it has substantially reduced the volume of appeals, although they remain a considerable area of uncertainty.

[1] *A time of revolution? British local government finance in the 2010s*, IfS, October 2016, p.20

13.5 A further reform of local government funding is planned to take effect from April 2020, increasing the proportion of rates retained locally to 75%. In itself, this change should be financially neutral, as the additional business rates will be offset by the loss of RSG and some other grants. There is likely to be a more substantial effect on the Council's finances from the "fair funding review" planned for the same date, which will redistribute resources between councils.

13.6 The Council is part of a "business rates pool" with other authorities in Leicestershire. Pools are beneficial if district councils' rates grow, as the pool increases the amount of rates retained, and in 2016/17 the pool made a surplus of £5m. Surpluses are made available to the LEP to support economic regeneration in the sub-region.

Council Tax

13.7 Council tax income is estimated at £107.9m in 2018/19, based on a tax increase of just below 6%. For planning purposes, tax increases of 3% and 2% have been assumed in 2019/20 and 2020/21 respectively.

13.8 The Government has made changes to the amounts we can raise council tax without a referendum:

- Additional flexibility (the "social care levy") has been granted to social care authorities since 2016/17. This is designed to help social care authorities mitigate the growing costs of social care; the Government will expect us to demonstrate that the money is being used for this purpose. We will have used our maximum social care flexibility in 2018/19.
- For 2018/19 and 2019/20, the basic referendum limit has been increased from 2% (which has been in place for some years) to 3%, reflecting current levels of inflation.

13.9 Council tax income includes additional income raised from the Empty Homes Premium, which increases the charge by 50% for a property left empty for more than six months. The government has announced plans, as part of its housing strategy, to allow this premium to be doubled to 100% from April 2019. A decision on the level of premium to be charged will be required in due course; this report has been prepared on the basis that the premium remains at its current level.

Collection Fund Surpluses/Deficits

13.10 Collection fund surpluses arise when more tax is collected than assumed in previous budgets. Deficits arise when the converse is true. The surplus or deficit is shared with the other bodies that take a share of collection fund income – police and fire authorities for council tax, and the fire authority and central government for business rates. Figures below are the Council's share of the collection fund.

13.11 The Council has an estimated **council tax collection fund surplus** of £1.1m. This has arisen because of growth in the number of homes liable to pay tax (which has been greater than was assumed when the budget was set) and a reduction in the costs of the council tax reduction scheme (linked to improvements in the local economy).

13.12 The Council has an estimated **business rates collection fund deficit** of £1.4m. This is partly due to a late change to small business relief, announced after we set the budget; and to the cost of appeals. The former has been compensated by the Government.

## 14. General Reserves and the Managed Reserves Strategy

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

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

14.3 In the 2013/14 budget strategy, the Council approved the adoption of a managed reserves strategy. This involved contributing money to reserves in 2013/14 to 2015/16, and drawing down reserves in later years. This policy has bought time to more fully consider how to make the substantial cuts which are necessary. Since 2016/17, these reserves have been drawn down to balance the budget, although some remain to support 2018/19 and 2019/20.

14.4 The managed reserves strategy will be extended as far as we can: the rolling programme of spending reviews enables any in-year savings to extend the strategy. Additional money has been made available since the 2017/18 budget was set, and future reviews should enable further contributions to be made. However, the reserves available are forecast to be exhausted in 2019/20, and none will be available to cushion the 2020/21 budget.

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

| | **2017/18 £m** | **2018/19 £m** | **2019/20 £m** |
|---|---|---|---|
| Brought forward | 27.1 | 20.0 | 9.8 |
| Planned use | (7.1) | (10.2) | (9.8) |
| **Carried forward** | **20.0** | **9.8** | **NIL** |

## 15. Earmarked Reserves

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

15.2 Earmarked reserves are kept under review, and amounts which are no longer needed for their original purpose will be used to extend the managed reserves strategy. The next such review will take place at the end of 2017/18.

## 16. Risk Assessment and Adequacy of Estimates

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

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

16.3 In my view, although very difficult, the budget for 2018/19 is achievable subject to the risks and issues described below.

16.4 There are risks in the 2018/19 budget arising from:-

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

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

(c) Managing the position of two departments (City Development & Neighbourhoods, and Children's Services) who need to do further work to live within their means in 2018/19;

(d) Achievability of estimated rates income (although technically any shortfall will appear as a collection fund deficit in the 2019/20 budget), and particularly the extent of successful appeals against the 2017 revaluations.

16.5 The 2019/20 budget projections are subject to the same risks as 2018/19, with additional uncertainty around:-

(a) Non-achievement, or delayed achievement, of the remaining spending review savings, and the additional £20m of savings that departments have been asked to find by 2019/20;

(b) Pay costs. The current pay offer includes a revised pay spine from 2019/20, to make it compatible with the forecast increases to the National Living Wage and to retain pay differentials at the lower end of the pay scale. The proposals will see a significant cost increase in 2019/20 to authorities across the country (in addition to the 2018/19 pay award); however, the details of implementation still need to be finalised.

16.6 For 2020/21 and beyond, the budget projections are particularly uncertain, due to:-

(a) The funding landscape after 2019/20 is largely unknown, with the move to 75% business rates retention and the planned needs review (which could result in a gain or loss to the Council). The risk of further cuts to RSG in 2020/21 is significant - on current trajectories a further round of cuts would cut £10m in that year;

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

(c) Continuing increases in pay costs. Upwards pressures on pay, and forecast future increases in the National Living Wage, make it less likely that future pay increases will be limited to 1%.

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

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

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

(b) A one-off corporate contingency of £1m is included in the budget for 2018/19;

(c) A planning contingency is included in the budget from 2019/20 onwards (£3m per annum accumulating);

(d) Savings from the Council's minimum revenue provision policy are being saved until they are required (see paragraph 19).

16.9 Subject to the above comments, I believe the Council's general and earmarked reserves to be adequate. I also believe estimates made in preparing the budget are robust. (Whilst no inflation is provided for the generality of running costs in 2018/19, some exceptions are made, and it is believed that services will be able to manage without an allocation).

## 17. <u>Consultation on the Draft Budget</u>

17.1 Comments on the draft budget have been sought from:-

(a) The Council's scrutiny function;

(b) Key partners and other representatives of communities of interest;

(c) Business community representatives (a statutory consultee);

(d) The Council's trade unions.

17.2 Scrutiny comments will be circulated with this agenda (in full).

17.3 Comments from partners and business representatives are summarised at Appendix Seven. The full comments are available from the report author.

## 18. <u>Borrowing</u>

18.1 Local authority capital expenditure is self-regulated, based upon a code of practice (the "prudential code").

18.2 The Council complies with the code of practice, which requires us to demonstrate that any borrowing is affordable, sustainable and prudent. To comply with the code, the Council must approve a set of indicators at the same time as it agrees the budget. The substance of the code pre-dates the recent huge cutbacks in public spending, and the indicators are of limited value.

18.3 Since 2011/12, the Government has been supporting all new general fund capital schemes by grant. Consequently, any new borrowing has to be paid for ourselves and is therefore minimal.

18.4 Attached at Appendix Three are the prudential indicators which would result from the proposed budget. A limit on total borrowing, which the Council is required to set by law, is approved separately as part of the Council's treasury strategy.

18.5 The Council will continue to use borrowing for "spend to save" investment which generates savings to meet borrowing costs.

## 19. <u>Minimum Revenue Provision</u>

19.1 By law, the Council is required to charge to its budget each year an amount for the repayment of debt. This is known as "minimum revenue provision" (MRP). The Council approved a new approach in November 2015: the proposed policy at Appendix Four is based on this new approach.

19.2 The proposed MRP policy results in revenue account savings when compared to the old approach, although these are paper rather than real savings – they result from a slower repayment of historic debt.

19.3 The proposed budget for 2018/19 would use the savings made in that year to set aside additional monies for debt repayment (voluntarily). This creates a "virtuous circle", i.e. it increases the savings in later years when we will need them. Additionally, the policy enables the Director of Finance to use sums set aside voluntarily to facilitate the treasury management strategy. This will enable us to consider an extended list of pooled property investments, without restricting ourselves to those which benefit from exemptions to normal accounting rules.

19.4 The approach to savings in 2019/20 and later years will be considered when the budgets for those years are prepared. At present, the capital financing estimates assume that the previous policy continues to apply.

19.5 Members are asked to note that the extent of savings available from the policy change will tail off in the years after they are fully brought into account.

## 20. <u>Financial Implications</u>

20.1 This report is exclusively concerned with financial issues.

20.2 Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made unless the member concerned declares the arrears at the outset of the meeting and that as a result s/he will not be voting.

The member can, however, still speak. The rules are more circumscribed for the City Mayor and Executive. Any executive member who has arrears outstanding for 2 months or more cannot take part at all.

21. **Legal Implications (Kamal Adatia/Emma Horton)**

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

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

21.3 As well as detailing the recommended council tax increase for 2018/19, the report also complies with the following statutory requirements:-

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

(b) Adequacy of reserves;

(c) The requirement to set a balanced budget.

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

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

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

22. **Other Implications**

| **Other Implications** | **Yes/ No** | **Paragraph References within the report** |
|---|---|---|
| Equal Opportunities | Y | Paragraph 11 |
| Policy | Y | The budget sets financial envelopes within which Council policy is delivered |
| Sustainable and Environmental | N | The budget is a set of financial envelopes within which service policy decisions are taken. The proposed 2018/19 budget reflects existing service policy. |
| Crime & Disorder | N | |
| Human Rights Act | N | |
| Elderly People/People on Low Income | N | |

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

23. **Report Authors**


Catherine Taylor
Principal Accountant

catherine.taylor@leicester.gov.uk

Mark Noble
Head of Financial Strategy

mark.noble@leicester.gov.uk


8th February 2017

## Appendix One

# Budget Ceilings

| | Current budget £'000s | Spending Review savings £'000s | Inflation £'000s | Technical & other changes £'000s | 18/19 budget ceiling £'000s |
|---|---|---|---|---|---|
| **1. City Development & Neighbourhoods** | | | | | |
| | | | | | |
| **1.1 Neighbourhood & Environmental Services** | | | | | |
| Divisional Management | 205.0 | | 2.9 | | **207.9** |
| Regulatory Services | 3,297.1 | (259.0) | 117.4 | | **3,155.5** |
| Waste Management | 15,524.0 | | 822.6 | | **16,346.6** |
| Parks & Open Spaces | 3,543.0 | (293.0) | 303.3 | | **3,553.3** |
| Neighbourhood Services | 5,994.0 | (275.1) | 144.3 | | **5,863.2** |
| Standards & Development | 1,698.0 | (79.0) | 32.1 | | **1,651.1** |
| ***Divisional sub-total*** | **30,261.1** | **(906.1)** | **1,422.6** | **0.0** | **30,777.6** |
| | | | | | |
| **1.2 Tourism, Culture & Inward Investment** | | | | | |
| Arts & Museums | 4,810.3 | (60.0) | 58.2 | | **4,808.5** |
| De Montfort Hall | 922.8 | | 48.6 | | **971.4** |
| City Centre | 97.0 | | 5.9 | | **102.9** |
| Place Marketing Organisation | 390.3 | | 3.9 | | **394.2** |
| Economic Development | 342.9 | | 24.6 | | **367.5** |
| Markets | (616.8) | | 14.6 | | **(602.2)** |
| Divisional Management | 12.4 | (394.3) | 3.6 | | **(378.3)** |
| ***Divisional sub-total*** | **5,958.9** | **(454.3)** | **159.4** | **0.0** | **5,664.0** |
| | | | | | |
| **1.3 Planning, Development & Transportation** | | | | | |
| Transport Strategy | 9,175.1 | (120.0) | 74.8 | | **9,129.9** |
| Highways | 6,015.3 | (121.0) | 98.0 | | **5,992.3** |
| Planning | 990.5 | | 54.8 | | **1,045.3** |
| Divisional Management | 206.3 | | 4.0 | | **210.3** |
| ***Divisional sub-total*** | **16,387.2** | **(241.0)** | **231.6** | **0.0** | **16,377.8** |
| | | | | | |
| **1.4 Estates & Building Services** | **6,871.1** | **(1,550.0)** | **224.1** | **(220.0)** | **5,325.2** |
| | | | | | |
| **1.5 Housing Services** | | | | | |
| Housing Services | 3,844.9 | (250.0) | 133.1 | | **3,728.0** |
| Fleet Management | 5.1 | | 25.9 | | **31.0** |
| ***Divisional sub-total*** | **3,850.0** | **(250.0)** | **159.0** | **0.0** | **3,759.0** |
| | | | | | |
| **1.6 Departmental Overheads** | **621.3** | **0.0** | **8.6** | **0.0** | **629.9** |
| | | | | | |
| **DEPARTMENTAL TOTAL** | **63,949.6** | **(3,401.4)** | **2,205.3** | **(220.0)** | **62,533.5** |

## Budget Ceilings

| | Current budget £'000s | Spending Review savings £'000s | Inflation £'000s | Technical & other changes £'000s | 18/19 budget ceiling £'000s |
|---|---|---|---|---|---|
| **2.Adults** | | | | | |
| **2.1 Adult Social Care & Safeguarding** | | | | | |
| Other Management & support | 1,524.5 | | 50.5 | | **1,575.0** |
| Safeguarding | 417.3 | | 11.7 | | **429.0** |
| Preventative Services | 7,482.4 | | 109.6 | (1,333.0) | **6,259.0** |
| Independent Sector Care Package Costs | 81,101.8 | | 1,684.7 | 6,614.0 | **89,400.5** |
| Care Management (Localities) | 7,367.4 | | 143.0 | | **7,510.4** |
| ***Divisional sub-total*** | **97,893.4** | **0.0** | **1,999.5** | **5,281.0** | **105,173.9** |
| **2.2 Adult Social Care & Commissioning** | | | | | |
| Enablement &Day Care | 3,733.3 | | 97.9 | | **3,831.2** |
| Care Management (LD & AMH) | 5,235.9 | | 101.3 | | **5,337.2** |
| Preventative Services | 3,749.2 | | 6.3 | (790.0) | **2,965.5** |
| Contracts,Commissioning & Other Support | 2,716.4 | | 73.9 | | **2,790.3** |
| Substance Misuse | 5,559.7 | | | | **5,559.7** |
| Departmental | (15,416.4) | (200.0) | 17.2 | (4,950.0) | **(20,549.2)** |
| ***Divisional sub-total*** | **5,578.1** | **(200.0)** | **296.6** | **(5,740.0)** | **(65.3)** |
| **2.3 Health and Wellbeing** | | | | | |
| Sexual Health | 4,145.6 | | | | **4,145.6** |
| NHS Health Checks | 371.0 | | | | **371.0** |
| Children 0-19 | 9,517.5 | (250.0) | | | **9,267.5** |
| Smoking & Tobacco | 922.0 | | | | **922.0** |
| Substance Misuse | | | | | **0.0** |
| Physical Activity | 1,158.0 | | | | **1,158.0** |
| Health Protection | 55.0 | | | | **55.0** |
| Public Mental Health | 234.0 | | | | **234.0** |
| Public Health Advice & Intelligence | 48.5 | | | | **48.5** |
| Staffing & Infrastructure | 1,525.4 | (25.0) | | | **1,500.4** |
| Sports Services | 3,230.6 | (120.0) | 200.9 | | **3,311.5** |
| ***Divisional sub-total*** | **21,207.6** | **(395.0)** | **200.9** | **0.0** | **21,013.5** |
| **DEPARTMENTAL TOTAL** | **124,679.1** | **(595.0)** | **2,497.0** | **(459.0)** | **126,122.1** |

**Appendix One**

## Budget Ceilings

| | Current budget £'000s | Spending Review savings £'000s | Inflation £'000s | Technical & other changes £'000s | 18/19 budget ceiling £'000s |
|---|---|---|---|---|---|
| **3. Education & Children's Services** | | | | | |
| **3.1 Strategic Commissioning & Business Support** | | | | | |
| Divisional Budgets | 659.4 | | 17.5 | | **676.9** |
| Operational Transport | (111.6) | | | | **(111.6)** |
| ***Divisional sub-total*** | **547.8** | **0.0** | **17.5** | **0.0** | **565.3** |
| **3.2 Learning Quality & Performance** | | | | | |
| Raising Achievement | 1,466.8 | | 38.2 | (33.0) | **1,472.0** |
| Adult Skills | (870.4) | | | | **(870.4)** |
| School Organisation & Admissions | 816.3 | | 12.2 | (38.0) | **790.5** |
| Special Education Needs and Disabilities | 6,941.9 | | 77.7 | 325.0 | **7,344.6** |
| ***Divisional sub-total*** | **8,354.6** | **0.0** | **128.1** | **254.0** | **8,736.7** |
| **3.3 Children, Young People and Families** | | | | | |
| Children In Need | 9,506.5 | | 149.1 | (608.0) | **9,047.6** |
| Looked After Children | 33,368.0 | | 390.4 | 1,705.0 | **35,463.4** |
| Safeguarding & QA | 2,234.8 | | 58.6 | | **2,293.4** |
| Early Help Targeted Services | 7,666.4 | (2,300.0) | 200.6 | | **5,567.0** |
| Early Help Specialist Services | 4,791.7 | (923.0) | 133.1 | 630.0 | **4,631.8** |
| ***Divisional sub-total*** | **57,567.4** | **(3,223.0)** | **931.8** | **1,727.0** | **57,003.2** |
| **3.4 Departmental Resources** | | | | | |
| Departmental Resources | 1,662.0 | (370.0) | 10.6 | (3,581.0) | **(2,278.4)** |
| Education Services Grant | (4,468.1) | | | | **(4,468.1)** |
| ***Divisional sub-total*** | **(2,806.1)** | **(370.0)** | **10.6** | **(3,581.0)** | **(6,746.5)** |
| **DEPARTMENTAL TOTAL** | **63,663.7** | **(3,593.0)** | **1,088.0** | **(1,600.0)** | **59,558.7** |
| **4. Corporate Resources Department** | | | | | |
| **4.1 Delivery, Communications & Political Gover** | **5,377.9** | **(63.0)** | **90.7** | **0.0** | **5,405.6** |
| **4.2 Financial Services** | | | | | |
| Financial Support | 5,959.8 | | 175.3 | | **6,135.1** |
| Revenues & Benefits | 5,709.5 | (60.0) | 191.0 | | **5,840.5** |
| ***Divisional sub-total*** | **11,669.3** | **(60.0)** | **366.3** | **0.0** | **11,975.6** |
| **4.3 Human Resources** | **4,171.0** | **0.0** | **99.5** | **0.0** | **4,270.5** |
| **4.4 Information Services** | **9,280.9** | **0.0** | **106.9** | **0.0** | **9,387.8** |
| **4.5 Legal Services** | **2,045.2** | **0.0** | **85.3** | **0.0** | **2,130.5** |
| **DEPARTMENTAL TOTAL** | **32,544.3** | **(123.0)** | **748.7** | **0.0** | **33,170.0** |
| **TOTAL -Service Budget Ceilings** | **284,836.7** | **(7,712.4)** | **6,539.0** | **(2,279.0)** | **281,384.3** |
| ***less* public health grant** | (27,519.0) | | | 715.0 | **(26,804.0)** |
| **NET TOTAL** | **257,317.7** | **(7,712.4)** | **6,539.0** | **(1,564.0)** | **254,580.3** |

**Appendix Two**

## Scheme of Virement

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

Budget Ceilings

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

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

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

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

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

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

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

Corporate Budgets

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

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

   (b) the City Mayor may determine the use of the corporate contingency;

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

Earmarked Reserves

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

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

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

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

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

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

**Appendix Three**

## Recommended Prudential Indicators

1. **Introduction**

1.1 This appendix details the recommended prudential indicators for general fund borrowing and HRA borrowing.

2. **Proposed Indicators of Affordability**

The ratio of financing costs to net revenue budget:

| | 2018/19 Estimate % | 2019/20 Estimate % | 2020/21 Estimate % |
|---|---|---|---|
| General Fund | 5.4 | 5.5 | 5.1 |
| HRA | 12.1 | 12.5 | 12.4 |

2.2 The estimated incremental impact on council tax and average weekly rents of capital investment decisions proposed in the general fund budget and HRA budget reports over and above capital investment decisions that have previously been taken by the Council are:

| | 2018/19 Estimate % | 2019/20 Estimate % |
|---|---|---|
| Band D council tax | 0.0 | 0.0 |
| HRA rent | 0.0 | 0.0 |

3. **Indicators of Prudence**

3.1 The forecast level of capital expenditure to be incurred for the years 2017/18 and 2018/19 (based upon the Council capital programme, and the proposed budget and estimates for 2018/19) are:

| Area of expenditure | 2017/18 Estimate £000s | 2018/19 Estimate £000s |
|---|---|---|
| Children's services | 37,288 | 44,932 |
| Young People | 118 | 1,050 |
| Resources ICT | 2,905 | 500 |
| Transport | 33,994 | 33,678 |
| Cultural & Neighbourhood Services | 3,812 | 6,787 |
| Environmental Services | 711 | 355 |
| Economic Regeneration | 25,040 | 26,516 |
| Adult Care | 5,230 | 10,998 |
| Public Health | 328 | 1,723 |
| Property | 4,143 | 4,100 |
| Vehicles | 2,929 | - |

| | | |
|---|---|---|
| Housing Strategy & Options | 2,650 | 3,450 |
| Corporate Loans | - | - |
| ***Total General Fund*** | 119,148 | 134,089 |
| Housing Revenue Account | 19,057 | 15,626 |
| **Total** | 138,205 | 149,715 |

3.2 The capital financing requirement, measuring the authority's underlying need to borrow for a capital purpose, is shown below. This includes PFI recognised on the balance sheet.

| | **2017/18 Estimate £m** | **2018/19 Estimate £m** | **2019/20 Estimate £m** | **2020/21 Estimate £m** |
|---|---|---|---|---|
| General Fund | 350 | 333 | 316 | 298 |
| HRA | 215 | 215 | 215 | 215 |

4. **Treasury Limits for 2018/2019**

4.1 The Treasury Strategy, which includes a number of prudential indicators required by CIPFA's prudential code for capital finance, is being presented to Council at this meeting.

# Minimum Revenue Provision Policy

## 1. Introduction

1.1 This policy sets out how the Council will calculate the minimum revenue provision chargeable to the General Fund in respect of previous years' capital expenditure, where such expenditure has been financed by borrowing.

1.2 This policy will apply immediately from the date this report has been approved by Council.

## 2. Basis of Charge

2.1 Where borrowing pays for an asset, the debt repayment calculation will be based on the life of the asset.

2.2 Where borrowing funds a grant or investment, the debt repayment will be based upon the length of the Council's interest in the asset financed (which may be the asset life, or may be lower if the grantee's interest is subject to time limited restrictions).

2.3 Where borrowing funds a loan to a third party, the basis of charge will normally be the period of the loan (and will never exceed this). The charge may be based on an equal instalment of principal or set on an annuity basis whichever the Director of Finance deems appropriate.

## 3. Commencement of Charge

3.1 Debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure relating to the construction of an asset, the charge will commence in the year in which the asset becomes operational. Where expenditure will be recouped from future income, and the receipt of that income can be forecast with reasonable certainty, the charge may commence when the income streams arise.

## 4. Asset Lives

4.1 The following maximum asset lives are proposed:-

- Land – 50 years;
- Buildings – 50 years;
- Infrastructure – 40 years;
- Plant and equipment – 20 years;
- Vehicles – 10 years;
- Loan premia – the higher of the residual period of loan repaid and the period of the replacement loan;

## 5. Voluntary Set Aside

5.1 Authority is given to the Director of Finance to set aside sums voluntarily for debt repayment, where she believes the standard depreciation charge to be insufficient, or in order to reduce the future debt burden to the authority.

5.2 Authority is given to the Director of Finance to use any previous years' voluntary set-aside to facilitate implementation of the treasury strategy. It may, for instance, be used to give effect to the strategy of investing in pooled property funds.

## 6. **Other**

6.1 In circumstances where the treasury strategy permits use of investment balances to support investment projects which achieve a return, the Director of Finance may adopt a different approach to reflect the financing costs of such schemes. A different approach may also be adopted for other projects which aim to achieve a return.

## Equality Impact Assessment

### 1. Purpose of the increase

1.1 The purpose of this appendix is to present the equalities impact of the proposed 5.99% council tax increase.

1.2 There are two elements to the proposed tax increase:

(a) A 3% increase to address Adult Social Care funding needs outlined in the budget strategy;

(b) A 2.99% increase in council tax to enable the council to maintain its budgeted policy commitments.

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

2.1 Since April 2013, as a consequence of the Government's welfare reforms, all working age households in Leicester have been required to contribute towards their council tax bill. Our current council tax reduction scheme (CTRS) requires working age households to pay at least 20% of their council tax bill, and sets out to ensure that the most vulnerable householders are given some relief in response to financial hardship they may experience.

2.2 NOMIS2 figures for the city's working age population (June 2017) indicated that there are 161,000 economically active residents in the city, of whom 5.2% are unemployed. As of November 2016, there were 30,060 working age benefit claimants (12.9% of the city's working age population of 233,000) It should be noted that this does not include tax credit claimants (unless they are also in receipt of another benefit). The working age population is inclusive of all protected characteristics.

### 3. How are they affected?

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

3.2 For band B properties (almost 80% of the city's properties are in bands A or B), the proposed annual increase in council tax is £66.34; the minimum annual increase for households eligible under the CTRS would be £13.27.

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

| Band | No. of Households | Weekly Increase | Maximum Relief (80%) | Minimum Weekly Increase |
|---|---|---|---|---|
| A- | 258 | £0.91 | £0.73 | £0.18 |
| A | 75,528 | £1.09 | £0.87 | £0.22 |
| B | 24,809 | £1.27 | £1.02 | £0.25 |
| C | 14,310 | £1.45 | £1.02 | £0.44 |
| D | 6,031 | £1.64 | £1.02 | £0.62 |
| E | 3,172 | £2.00 | £1.02 | £0.98 |
| F | 1,457 | £2.36 | £1.02 | £1.34 |
| G | 579 | £2.73 | £1.02 | £1.71 |
| H | 36 | £3.27 | £1.02 | £2.25 |
| **Total** | **126,180** | | | |

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

## 4. Risks over the coming year

4.1 Recently, disposable income has fallen in real terms. This has multiple causes: slow wage growth (only partly offset by rising employment rates), welfare changes and inflation.

4.2 One of the main risks to household income in the previous year (2017/18) was increases in inflation. Inflation has increased, as predicted. The National Institute of Economic and Social Research (NIESR) have projected consumer price inflation to peak at 3.4 per cent in the final quarter of 2017, before gradually returning back towards the Bank of England's 2 per cent target. The Bank now expects inflation will hit 2.4% in 2018 and 2019. Therefore, the impact of rising inflation is less of a risk over the coming year. Having said this, it must be considered that until such a point that inflation returns towards the Bank of England's 2% target, households will continue to be squeezed and are likely to have less discretionary income than they would enjoy in the event that inflation were to fall.

4.3 Incomes of households reliant on social security benefits continue to be squeezed with the Government's continued implementation of the welfare reform programme. **Of particular relevance is the roll out of Universal Credit in Leicester (in summer 2018).** The chart below[3] gives an indication of anticipated decreases in household incomes by 2020/21, as a consequence of post 2015 welfare reforms:-

| | |
|---|---|
| Couple – one dependent child | £900 p.a. |
| Couple – two or more dependent children | £1,450 p.a. |
| Lone parent – one dependent child | £1,400 p.a. |
| Lone parent – two or more dependent children | £1,750 p.a. |
| Single person working age household | £250 p.a. |

[3] *Source: Centre for Regional Economic and Social Research/Sheffield Hallam University report: "The uneven impact of welfare reform – the financial losses to places and people" (March 2016).*

4.4 The Joseph Rowntree Foundation's annual "Minimum Income Standard" (MIS) for 2017, highlighted that millions of just managing families are on the tipping point of falling into poverty as prices rise in the shops (the price of a minimum "basket of goods" has risen 27-30% since 2008), with forecasts showing the cost of living could be 10 per cent higher by 2020. The Foundation is warning there is a fine margin where just managing can quickly tip into living in poverty, such is the precarious state of many household budgets.

4.5 Between 2008/9 – 2014/5, based on the latest available data from official statistics:

- The number of individuals below MIS rose by four million, from 15 million to 19 million (from 25 to 30 per cent of the population);
- There are **11 million people living far short of MIS**, up from 9.1 million, who have incomes below 75% of the standard and are at high risk of being in poverty;
- The remaining **eight million fall short of the minimum**, by a smaller amount, and despite having a more modest risk of poverty, are **just about managing at best**.

4.6 Almost three million working age households, six in 10 below MIS, have at least one person in work. Families with children continue to have the highest risk of having incomes that fall short of the standard, with working parents facing worsening prospects:

- For lone parents, even those working full time have a 42% risk of being below MIS, up from 28% in 2008/09. 151,000 out of 356,000 people in households headed by lone parents working full time are below the minimum.
- 56% of people in single-breadwinner couples with children live below – a substantial increase of more than a third over the six-year period. This affects 500,000 out of 880,000 people in such families.
- For couples with children where one adult works full time and the other is in part-time or self-employment, the risk of inadequate income has increased by a half, reaching 18%. This is 310,000 out of 1.7 million people in such families.

4.7 There are some offsetting current trends:

- There has been a continuing decrease in the percentage of the working age population unemployed in Leicester (NOMIS): June 2017, 5.2% (down from June 2016, 6.6%, June 2015, 7.7%; June 2014, 11.8%; and June 2013, 13.9%).
- The National Institute of Economic and Social Research (NIESR) have projected consumer price inflation to peak at 3.4 per cent in the final quarter of 2017, before gradually returning back towards the Bank of

England's 2 per cent target. The Bank now expects inflation will hit 2.4% in 2018 and 2019.

5. **Overall impact**

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

5.2 The weekly increase in council tax, however, is small for many of these households, as can be seen from the table above.

**6. Mitigating actions:**

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

6.2 Having said this, although it will continue to be in place as a mitigating action, there has been significant pressure on the Discretionary Housing Payment fund which has resulted in the need to review the policy for 2018. The change will mean that initial awards of discretionary support to claimants affected by the Benefit Cap are restricted, and those who have previously received support at 100% of rent shortfall to a further award of thirteen weeks only, supplemented by intensive support by Citizens Advice LeicesterShire (CITAL). Claimants affected by the Benefit Cap are considered by the government to be fit to move into work and are not receiving any of a series of exclusionary benefits. The initial 13 week allowance of discretionary support will be removed, prior to applying to be placed on the Housing Register and actively seeking alternative accommodation, instead requiring this engagement from the outset of a claim, unless a legal exemption or exceptional circumstances apply. A ring fenced allocation of the DHP budget will also be transferred to the administration of the Housing Department to provide rent deposits and rent in advance, supporting the LeicesterLet scheme. This is intended to ensure that households affected by welfare reforms are able to move to more appropriate properties and to ensure that Leicester City Council meet their new statutory homelessness obligations.

6.3 These changes will ensure that there are sufficient funds to protect those who require support the most (across all protected characteristics) and will ensure that the fund is not exhausted rapidly, which would leave those who need support without any financial assistance.

6.4 Social welfare advice is currently in the process of being re-procured and will continue to be used as a mitigating action. Advice will continue to be provided in relation to welfare benefits, debt, housing, employment, community care, family issues and immigration. A full assessment of the impact of the proposals has been undertaken. A model has now been agreed and soft market test has commenced.

## 7. What protected characteristics are affected?

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

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

## 7.3 Analysis of impact based on protected characteristic

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---|---|---|---|
| **Age** | Older people are least affected by a potential increase in council tax. Older people (pension age & older) have been relatively protected from the impacts of the recession & welfare cuts, they receive protection from inflation in the uprating of state pensions. Low-income pensioners also have more generous (up to 100%) council tax relief. However, in the current financial climate, a lower council tax increase would require even greater cuts to services. While it is not possible to say where these cuts would fall exactly, there are potential negative impacts for this group as older people are the primary service users of Adult Social Care.<br><br>Income inequality is likely to increase over the next few years.<br>If real earnings grow as the Office for Budget Responsibility forecasts, high-income households will benefit more than lower-income ones. And if benefit cuts proceed as planned, they will act to significantly reduce the incomes of low-income working-age households.<br><br>Working age people bear the impacts of welfare reform reductions – particularly those with children. Whilst an increasing proportion of working age residents are in work, national research indicates that those on low wages are failing to get the anticipated uplift of the National Living Wage.<br><br>A recent report by the Institute for Fiscal Studies on Living Standards, Poverty and Inequality in the UK 2017, shows that trends in living standards for different age groups have been very different. By 2015–16, median income for those aged 60 and over was 10% higher than it was in 2007–08, but for adults aged 22–30 it was still 4% lower. These differences are primarily due to the negative labour market impacts of the recession, which were far more pronounced among younger people.<br><br>The Joseph Rowntree Foundation's Minimum Income standard (MIS) shows that families with children continue to have the highest risk of having incomes that fall short of the standard, with working parents facing worsening prospects, as discussed at paragraph 4.6 above.<br><br>The tax increase could have an impact on such household incomes. | Working age households and families with children – incomes squeezed through low wages and reducing levels of benefit income. | Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing household budgets. |

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---|---|---|---|
| **Disability** | Disability benefits have been reduced over time as thresholds for support have increased. The tax increase could have an impact on such household incomes. | Further erode quality of life being experienced by disabled people as their household incomes are squeezed further as a result of reduced benefits and impact of increased inflation. | Disability benefits are disregarded in the assessment of need for CTRS purposes. Access to council discretionary funds for individual financial crises; access to council and partner support for food; and advice on better managing budgets. |
| **Gender Reassignment** | No disproportionate impact is attributable specifically to this characteristic. | | |
| **Marriage & Civil Partnership** | Couples receive benefits if in need, irrespective of their legal marriage or civil partnership status. No disproportionate impact is attributable specifically to this characteristic. | | |
| **Pregnancy and Maternity** | Maternity benefits will not be frozen and therefore kept in line with inflation. However, other social security benefits will be frozen, but without disproportionate impact arising for this specific protected characteristic. | | |
| **Race** | Those with white backgrounds are disproportionately on low incomes (indices of multiple deprivation) and in receipt of social security benefits. Some BME people are also low income and on benefits. The tax increase could have an impact on such household incomes.<br><br>Nationally, one-earner couples have seen particular falls in real income and are disproportionately of Asian background – which suggests an increasing impact on this group. | Household income being further squeezed through low wages and reducing levels of benefit income, along with anticipated inflation. | Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on better managing household budgets. |
| **Religion or Belief** | No disproportionate impact is attributable specifically to this characteristic. | | |

| Protected characteristic | Impact of proposal: | Risk of negative impact: | Mitigating actions: |
|---|---|---|---|
| **Sex** | Disproportionate impact on women who tend to manage household budgets and are responsible for childcare costs. Women are disproportionately lone parents.<br><br>The Joseph Rowntree Foundation’s Minimum Income standard (MIS) shows that Families with children continue to have the highest risk of having incomes that fall short of the standard, with working parents facing worsening prospects:<br><br>For lone parents, even those working full time have a 42% risk of being below MIS, up from 28% in 2008/09. 151,000 out of 356,000 people in households headed by lone parents working full time are below the minimum. | Incomes squeezed through low wages and reducing levels of benefit income, along with anticipated inflation. Increased risk for women as they are more likely to be lone parents. | If in receipt of Universal Credit or tax credits, a significant proportion of childcare costs are met by these sources.<br><br>Access to council discretionary funds for individual financial crises, access to council and partner support for food and advice on better managing household budgets. |
| **Sexual Orientation** | No disproportionate impact is attributable specifically to this characteristic. | | |

## Appendix Six

## Earmarked Reserves

1. Earmarked reserves as reported to Overview & Scrutiny Committee in December 2017 were as follows:

| | Current balance £k |
|---|---|
| **Departmental Reserves** | |
| Adult Social Care | 312 |
| Voluntary Sector Prospective Work | 1,500 |
| Children's Services | 956 |
| City Development & Neighbourhoods | 1,092 |
| Housing (non HRA) | 1,179 |
| Public Health | 662 |
| Channel Shift | 1,648 |
| ICT Development | 2,959 |
| PC Replacement Fund | 1,297 |
| Surplus Property Disposal | 912 |
| Election Fund | 1,020 |
| Financial Services | 3,347 |
| Other Corporate Resources Department | 3,814 |
| **Subtotal – departmental** | **20,698** |
| **Corporate Reserves** | |
| Managed Reserves Strategy | 27,496 |
| BSF Financing | 10,511 |
| Capital Programme Reserve | 37,498 |
| Severance Fund | 11,032 |
| Insurance Fund | 6,664 |
| Service Transformation | 7,302 |
| Welfare Reform | 4,004 |
| Other corporate reserves | 2,153 |
| **Subtotal – corporate** | **106,660** |
| **TOTAL UNRINGFENCED** | **127,358** |
| **Ringfenced Reserves** | |
| NHS Joint Working Projects | 1,769 |
| Public Health Transformation | 1,668 |
| School Capital Fund | 2,917 |
| Schools Buyback | 771 |
| Dedicated Schools Grant not delegated to schools | 14,205 |
| School & PRU balances | 14,683 |
| **TOTAL RINGFENCED** | **36,013** |
| **Total earmarked reserves** | **163,371** |

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

3. Ring-fenced reserves include:-

- **NHS joint working projects:** The Government has provided funding for joint working between adult social care and the NHS;
- **Public Health Transformation:** Ringfenced Public Health Grant money and will be used for future service changes;
- Amounts originating from **Dedicated Schools Grant** which are, by, law, ring-fenced to schools or relevant non-delegated functions. These balances will be used to fund growth in pupil numbers and cost pressures in the high needs block which will arise as a consequence of growth in numbers and national funding reform.

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

- **Adult Social Care and Children's Services:** To meet budget pressures and prevent overspending;
- **City Development and Neighbourhoods:** It is anticipated that the reserve will be drawn upon to support 2017/18 cost and income pressures, as noted in budget monitoring reports. The remaining balance will provide resilience in 2018/19 should the department face in-year budget pressures as spending reviews take effect; to enable any new, one-off priority activities to be funded; and to meet known additional pressures such as a shortfall in bereavement income and reduced income at Leicester Market as the redevelopment continues.
- **Housing:** held to ensure that any short term increases in the demand for General Fund housing services can be managed without affecting the in-year budget; to secure increased availability of private rented sector accommodation where required; to support joined-up working with complex clients; and to fund planned service improvements.
- **Voluntary Sector Prospective Work:** 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, initially for a three year period;
- **Channel Shift**: 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;
- **ICT Development:** The ongoing upgrade and modernisation of the Council's IT infrastructure (such as the Windows 10 rollout programme);
- **PC Replacement Fund:** To fund a rolling replacement programme for desktop PCs and portable devices as we continue to promote flexible and mobile working;
- **Election Fund:** To meet costs arising from future elections, smoothing out the cost between years;

- **Financial Services:** For expenditure on replacing the Council's main finance system, the Service Analysis Team and Welfare & Benefits as government housing benefit administration grants reduce and universal credit is rolled out.

5. Corporate reserves include:-

- **Managed Reserves Strategy** – a key element to delivering this budget strategy, as set out in para. 14 of this report;
- **BSF Financing:** to manage costs over the remaining life of the BSF scheme and lifecycle maintenance costs of the redeveloped schools;
- **Capital Programme Reserve:** to support approved spending on the Council's capital programme. This is fully committed to meet the costs of the capital programme;
- **Severance Fund:** to facilitate ongoing savings by meeting the redundancy and other costs arising from budget cuts;
- **Insurance Fund:** To meet the cost of claims which are self-insured;
- **Service Transformation Fund:** to fund projects which redesign services enabling them to function effectively at reduced cost
- **Welfare Reform:** set aside to support welfare claimants who face crisis, following the withdrawal of government funding for this purpose.

**Appendix Seven**

## Comments from Partners

1. **The Y Centre** acknowledges the challenges faced by the Council, and notes that partnership working with the voluntary sector can reduce costs and leverage external grant funding. The centre is considering expanding its provision for vulnerable young people, and is engaging with the Council.

2. **Attenborough Arts Council** is concerned at the level of cuts in government funding, and the impact this may have on Leicester's cultural provision, and the impact of this on the most vulnerable groups.

3. The **Federation of Small Businesses** commented on the importance of suitable spaces for new start-ups and growing small businesses, and of parking provision for independent shops.

4. **Healthwatch** comment on the disproportionate cuts faced by the most deprived areas of the country, and particularly the impact on social care spend; and express their concerns that this will widen health inequalities. Their response stresses the need for a more equitable funding formula to be developed nationally.

5. The budget was discussed at the **Learning Disability Partnership Board** on 24th January. Members expressed their concern at the national issues facing social care funding, and the need to keep pressure on the Government to develop a sustainable solution.

6. **Our Community Cares** expressed their concern that their current offer could not be continued if Council support were to be reduced, and that this would have a direct impact on vulnerable people.

7. The **Leicester Primary Partnership** are concerned about the likely reduction in the school improvement service, and the impact on partnership working between the authority and schools.

## Appendix Eight

## Spending Review Programme

| | Review | Summary | Savings Reported (£m) | Outstanding Savings (£m) | Outstanding Savings – sum reflected in Spending Review 4 (£m) |
|---|---|---|---|---|---|
| 1. | Corporate Resources | Implementation complete. | 3.9 | Nil | |
| 2. | Transforming Neighbourhood Services | Reviewing community use buildings on an area by area basis (libraries, community centres, adult skills, customer service centres). Review work mostly complete. | 1.1 | 0.4 | 0.4 |
| 3. | Voluntary and Community Services | Implementation complete. | 0.1 | Nil | |
| 4. | HRA Charging | Complete (decisions taken). | 4.0 | Nil | |
| 5. | Sports and Leisure | Review of Council's direct sports provision and sports development. Public consultation recently concluded. | | 2.0 | 1.2 |
| 6. | Parks and Open Spaces | Review work complete but disposal of land unlikely to realise the saving by 2019/20. | 1.5 | Nil | |
| 7. | Park and Ride | Service expected to become self-financing. Review work complete; fare rises implemented. | 0.2 | Nil | |
| 8. | External Communications | Implementation complete. | 0.1 | Nil | |
| 9. | Substance Misuse | Complete. | 1.0 | Nil | |
| 10. | Welfare Advice | Decision taken. | 0.2 | Nil | |
| 11. | Investment Property. | Review of property assets held for investment income. | 0.5 | 0.1 | Nil |
| 12. | IT | Review work complete. | 2.4 | Nil | |
| 13. | Homelessness Services | Review of services to prevent homelessness. Review work complete. | 1.5 | Nil | |
| 14. | Technical Services | Covers facilities management, operational property services, traffic and transport, repairs and maintenance of all buildings (including housing), fleet management, stores, energy, environment team. In implementation. | 10.1 | Nil | |
| 16. | Children's Services | All services provided by Education and Children's Services, other than schools and social care. Early Help and Youth Services review work complete. | 4.4 | 0.6 | 0.6 |
| 17. | Regulatory Services | Protective services including neighbourhood protection, business regulation, pest control, licensing and community safety. Phase one and Phase Two implementation complete; further savings unlikely. | 0.4 | 0.6 | Nil |
| 18. | Cleansing and Waste | City and neighbourhood cleansing, litter disposal, waste collection and disposal (including PFI arrangements). Phase one review complete, further savings difficult. | 0.7 | 1.8 | 1.0 |

| | Review | Summary | Savings Reported (£m) | Outstanding Savings (£m) | Outstanding Savings – sum reflected in Spending Review 4 (£m) |
|---|---|---|---|---|---|
| 19. | City Centre | Services provided by City Centre Division, including tourism. Complete. | 0.1 | Nil | |
| 20. | Using Buildings Better | Extends scope of Transforming Neighbourhoods to review other neighbourhood buildings (depots and local non-customer facing offices). Revenue savings will arise from channel shift and staff accommodation. | 0.4 | 1.6 | 0.8 |
| 21. | Tourism, Culture & Inward Investment | Covers arts organisations, museums, support to festivals and other divisional services. Phase one complete. | 1.1 | 0.4 | Nil |
| 22. | Car Parking and Highways Maintenance | Complete. | 0.8 | Nil | |
| 23. | Parks standards and development | Efficiency savings. | 0.2 | NIL | |
| 24. | Community Capacity Building | Revisit current arrangements with Voluntary Action Leicester & other projects - complete apart from element dependent on Social Welfare Advice review | 0.1 | 0.1 | 0.1 |
| 25. | Civic & Democratic Services | Democratic and civic functions. Implementation complete. | 0.2 | Nil | |
| 26. | Departmental Administration | Review of departmental administrative services. Savings being delivered departmentally. | 1.3 | Nil | |
| 27. | Adult Learning | Aim to increase the £0.8m currently contributed to Council support. Service realignment being considered, savings unlikely. | | 0.4 | Nil |
| 28. | Advice Services (Social Welfare) | Review of internal and external advice services provided by internal Welfare Rights, STAR service and external organisations; aims to eliminate duplicate provision. Being considered by NCSI Scrutiny Committee in Dec 17 (public consultation recently undertaken). | | 0.5 | 0.3 |
| 29. | Sexual Health Services | On demand sexual health and contraception services at St. Peter's Health Centre. Public consultation recently concluded. | 0.2 | 0.6 | 0.6 |
| 30. | Lifestyle Services | Services which support improved diet and physical activity, and cessation of smoking. A single, integrated service is under development. | 0.3 | 1.1 | 1.1 |
| 31. | CDN | Management savings | 0.3 | Nil | |
| | **Subtotal** | | **37.0** | **10.2** | **5.9** |
| | Additional savings target ("SR4") | | | | 19.8 |
| | **Total savings sought by 2019/20** | | | | **25.7** |

Leicester
City Council

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 1 FEBRUARY 2018 at 5:30 pm

P R E S E N T :

Councillor Singh (Chair)

Councillor Cank
Councillor Cleaver
Councillor Cutkelvin
Councillor Gugnani
Councillor Khote
Councillor Dr Moore
Councillor Porter
Councillor Unsworth

Also present:

Sir Peter Soulsby City Mayor

* * * * * * * *

**62. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Govind and Councillor Grant.

Councillor Newcombe had also submitted his apologies. Councillor Cleaver was his substitute for the meeting.

**63. DECLARATIONS OF INTEREST**

No declarations of interest were made.

**71. DRAFT GENERAL FUND REVENUE BUDGET 2018/19 TO 2020/21**

The Director of Finance submitted the Draft General Fund Revenue Budget 2018/19 to 2020/21. Members were asked to comment on the budget prior to its consideration at the meeting of Council on 21 February 2018. The budget had been considered by different Scrutiny Commissions and minute extracts of those meetings had also been presented to the Committee for consideration.

The Chair referred to the significant reductions in government grant and stated that the considerable pressure arising from the numbers of older people requiring care and increases in looked after children meant that between 2010/11 and 2019/20 spending on all other services would fall from £192m to an estimated £85m. This was a cut of 62% in real terms. It would therefore be necessary to use some of the reserves and carry out a further round of spending reviews in order to balance the budget.

The City Mayor reported that the level of cuts the Government had made in the Revenue Support Grant was unprecedented and had led to the Council having to make extremely difficult decisions. The City Mayor added that there were four separate budgets:

1) The Schools' Budget, funded by grant, is paid to the Council and then paid out to schools.
2) The Housing Revenue Account – this is funded from tenants' rents and can only be used for their benefit.
3) The Capital Budget that is spent on tangible projects. The majority of the capital budget will be spent on school places but also on projects around the city and on highways and transportation.
4) The General Fund Revenue Budget which is spent on all other running costs of the Council.

The City Mayor stated that he would be recommending to Council that they adopted the maximum amount of Council Tax increase that was allowed, i.e. 6%. He took no pleasure in making this recommendation but it was an increase that was necessary in order to lessen the impact of the cuts the Council needed to make. This increase would raise approximately £6m. There was also a cost associated with the council workers' pay award; but this was not yet settled and the Unions have recommended rejection of the offer made. The City Mayor added that he was of the firm belief that the Government had a responsibility to ensure that local authorities could pay their workforce a living wage; and this was the point that Leicester and other authorities of different political persuasions would be making to the Government.

Councillor Dr Moore commented that the Children, Young People and Schools Scrutiny Commission had given careful attention to the budget and the Members felt that there were provisions there to protect children and vulnerable people. Many of Leicester's population were deprived and there were over 600 looked after children and also over 600 children at risk, who needed care plans. Councillor Dr Moore commented that she believed that this was a result of austerity and the significant pressure that parents were under when struggling to manage on a limited budget. Councillor Dr Moore referred to the highways budget and asked for a more detailed breakdown to see whether there was some flexibility there, as there were concerns that the Children's Services budget might not meet demand. The Director commented that highways budget included money for highways maintenance and concessionary fares, which the Council were obliged to provide. Further details were included in the appendices to the report but she would be happy to provide a breakdown for Councillor Dr Moore and any other Councillor as requested.

Councillor Porter stated that from 2013, the Coalition Government changed some procedures to allow local authorities to choose how it spent its Revenue Budget. The City Mayor confirmed that this was the case, though some areas such as Public Health, within the Revenue Budget were ring-fenced.

Councillor Porter asked whether there were any incentives for staff if they could suggest ways of saving money. The Director responded that there was an active staff suggestion scheme, but financial rewards were not given as staff were driven by the desire to make economies which in turn saved jobs. The Director added however that she would forward this suggestion to the Director of Delivery, Communications and Political Governance.

Councillor Porter questioned whether it was time the City Council stopped subsidising the Park and Ride Scheme as it provided more benefit to the County residents than to the City residents. He said that the money saved could be better used for the benefit of children. The City Mayor replied that the Park and Ride Scheme predated his appointment as City Mayor so he did not know why certain sites were chosen, but he had concerns that, for example, the Birstall site was not located on the most appropriate site. The department is trying to reduce the subsidy on both the Birstall and Meynells' Gorse site to zero but he believed that the park and ride schemes not only benefitted the user, but the reduction in the number of cars on the road, benefitted other road users too.

Councillor Cutkelvin commented that the biggest revenue spends were within Adult Social Care and Children's Services, and within Children's Services a significant cost related to Looked After Children. She felt that it would be prudent for the Corporate Parenting Forum to be scrutinising this issue further. It was an issue that spanned different scrutiny commissions and it was important to understand the issues better. The City Mayor responded that the Corporate Parenting Forum had an important role but it did not have a scrutiny function. It was however an area that was worth additional consideration; as the costs of taking children into care were a significant part of the budget, particularly when they were placed out of area. There was also a question to be asked as to whether the right children were being taken into care. Councillor Dr Moore stated that this issue had been robustly scrutinised by the Children, Young People and Schools Scrutiny Commission and Members had been reassured that the right children were being placed into care and that the Courts supported those decisions. The Chair suggested that this should be discussed at a Scrutiny Chair's meeting to seek a consensus on the way forward.

Councillor Cutkelvin expressed concerns at budget pressures within the City Development and Neighbourhoods department. It was noted that one of the biggest costs arose from waste management, where the cost per ton of waste had increased because the Council were no longer meeting their environmental targets. Councillor Cutkelvin explained that concerns about this had previously been raised at the Neighbourhood Services and Community Involvement Scrutiny Commission and she asked whether solutions to the problem could be expedited. Members heard that the increased charges for landfill had arisen because DEFRA had changed the regulations. Landfill waste that used to be compliant, was now incurring a significant higher charge because it was no longer compliant (by a very small percentage) with the new specifications. In response to a question, the Director explained that the landfill tax was a fixed price rather than a competitive market. The Council is working with Biffa to find a solution; investment might be required to deal with the processing of the landfill waste to reduce the organic content.

Councillor Khote asked about the service reviews of Parks and Open Spaces and Tourism, Culture and Investment; the Director responded that the reviews in those areas were completed and it was agreed to send the relevant decision reports to Councillor Khote.

The Chair drew the discussion to a close. He commended the report and stated that the budget was the best sustainable forward position for the Council.

AGREED:

that the report be noted and for the comments made to be forwarded to the meeting of Council on 21 February 2018

Leicester
City Council

**MINUTE EXTRACT**

Minutes of the Meeting of the
ADULT SOCIAL CARE SCRUTINY COMMISSION

Held: TUESDAY, 23 JANUARY 2018 at 5:30 pm

P R E S E N T:

Councillor Cleaver (Vice-Chair in the Chair)

Councillor Aldred Councillor Chaplin

In Attendance
Councillor Dempster, Assistant Mayor – Adult Social Care and Wellbeing

Also Present
Councillor Cutkelvin

* * * * * * * *

## 62. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Dr. Chowdhury, Pantling and Thalukdar.

## 63. DECLARATIONS OF INTEREST

No declarations of interest were made.

## 69. GENERAL FUND REVENUE BUDGET 2018/19 TO 2020/21

The Director of Finance submitted the draft report to Council on 21 February 2018, of the General Fund Revenue Budget 2018/19 to 2020/21. Scrutiny Commission Members were asked to note and comment on the report as they saw fit. The Strategic Director for Adult Social Care submitted supplementary papers relating to adult social care funding to inform the Commission's discussion of the General Fund Revenue Budget.

The Chair made reference to the wider issues associated with cuts in council funding, and the difficult decisions the council had to consider on services it continued to fund. She acknowledged the pressures on the ASC budget, and the strong evidence presented to the Commission over the past year that there were an increasing number of people of working age who needed help, with issues such as depression, and physical health issues such as diabetes. It was also noted that people were living longer than in the past and were receiving increased care for longer periods. The Chair referred to paragraphs 7.6 and 7.7 in the report, which highlighted the growing gap between Better Care Funding and the underlying demands for care.

The Chair made reference to the two documents attached from Association of Directors of Adult Social Services (ADASS) and the Local Government Association (LGA), and the warning from the LGA of a £5.8billion local government funding gap by 2020.

The Chair stated it was imperative that central government urgently provided a long term funding solution for adult social care and that it implemented and concluded the promised review as soon as possible. The Chair asked that the following recommendation be made to the Executive for consideration:

> That the Assistant Mayor for Adult Social Care jointly write, with the Adult Social Care Scrutiny Commission, to the Secretary of State for Health and Social Care calling on him to:
>
> - Implement and conclude the promised review of social care funding by no later than Summer 2018;
> - Provide clarity beyond 2019/2020 for the funding of adult social care.

The Assistant City Mayor for Adult Social Care and Wellbeing informed the meeting the council was doing its best to protect the service, but unless there was a huge increase in resources it would put pressure on services. She added that in terms of the budget, the council was working in exactly the same way as in previous years, and as issues came forward, officers would bring detailed proposals to the Scrutiny Commission in line with previous years and ask the Commission to comment before decisions were made.

The Strategic Director presented the draft budget report, the background national paper from ADASS and noted the LGA reported replicated much of the ADASS report. The Director believed the increased concern over the funding gap was reflected over the country as a whole, and it was relevant to have a conversation about the national picture.

The Strategic Director presented the ADASS report and drew Members' attention to the following:

- There was a £366million overspend in ASC in England for 2016/17, which will grow in future years, with insufficient funding to meet growing pressures;
- IBCF monies have allowed departments only to stand still;
- Demographic pressure relating to people with mental health needs were above the national average with a 6% growth in the city over the past year;
- Increasing demographic pressures for physically disabled people were above the national average at around 3%;

- Nationally Directors' confidence in making savings was falling as it became harder to find efficiencies, and were finding it more difficult to invest in prevention;
- CHC savings of £6million locally meant a budget pressure for ASC of estimated at approximately £1million.
- S117 mental health care – there was no ability to charge for aftercare under S117. There was a growing list of people on S117, and the council was in the process of discussing with the NHS the proposal to remove people who no longer required aftercare under S117;
- The care market in Leicester was 'fragile' but 'stable' in nature in comparison to other market places across England where there was much more volatility.

The Strategic Director stated that if Government was not forthcoming urgently from the summer review of adult social care funding, there would be an impending crisis in social care across England.

In answer to Members' questions the following points were made:

- National dataset information on projections for future adult social care needs were 10 years old and would not reflect the work undertaken by Adult Social Care locally to change the profile of services used and where we encourage and support more people to continue to live independently. Occupancy level rates were stable in terms of what beds were available and what were used. In some areas overprovision led to reduced quality, and required some self-observation.
- Adult Social Care was not currently in this financial year part of the spending review programme. The reduction in the numbers of staff came in a change to workflow and had been handled in a positive way, though there was a natural level of anxiety. The department had just completed a HSE healthy workplace survey across the whole department, and across the board results had improved.

The Assistant City Mayor for Adult Social Care and Wellbeing said the Executive would look at possibilities for reconfiguring and making savings, whilst keeping a close eye on the pressures faced by the department, raising attention to issues at an early enough point for them to be managed appropriately.

Members noted that it had been known for a long time that ASC funding was at a crisis point, and that good national data on future demand for adult social care was essential in ensuring that long terms funding for adults social care would meet emerging need. They asked for a recommendation to be added, to note that national datasets re population forecasts and population need should be more flexible to allow councils to plan in a timely way and accurately across the whole range of services.

Members also noted in the report they had been asked to agree a 5% increase in council tax, and agreed to support the increase. They also noted there had been a suggestion to raise the increase to 6%, but needed to recognise that even in work, some people might not be wealthy.

Members asked for an additional recommendation to ensure that when the Executive made their responses to STP proposals the National Health Service was putting forward that they very strongly made known the impacts on the ASC budget.

A suggestion was made by the Commission that whilst agreeing to the 4.99% increase in Council Tax the Executive be asked to recognise that the overall revenue budget reflect the demand-led Adult Social Care and Children's Service budgets, which represented the most vulnerable people in society, impacting families on a day to day basis, and that reserves should be used to support them for as long as possible.

Members also asked that when other services were looked at, impact assessments be undertaken to look at how they might or should contribute to the work of Adult Social Care and Children and Young People's Services budgets.

The Chair agreed to the above additional recommendations suggested by Members and asked for the Scrutiny Policy Officer to provide wording for the recommendations in consultation with the Chair.

The Chair thanked the Strategic Director, the Assistant City Mayor for Adult Social Care and Wellbeing, Director of Adult Social Care and Safeguarding and Director of Adult Social Care and Commissioning for the information contained in the report, and asked that they take the gratitude and thanks from the Scrutiny Commission back to their teams for what they did for the citizens of Leicester.

AGREED:

That:

1. The report be received and noted;
2. That the Assistant Mayor for Adult Social Care jointly write, with the Adult Social Care Scrutiny Commission, to the Secretary of State for Health and Social Care calling on him to:
    - Implement and conclude the promised review of social care funding by no later than Summer 2018;
    - Provide clarity beyond 2019/2020 for the funding of adult social care.
3. Population forecasts and population need should be much more flexible to allow councils to plan in a timely way and accurately across the whole range of services.
4. To ensure that when the executive responds to the STP we very strongly set out the implications of this funding for the ASC budgets and the clients who require these services.
5. The Executive be asked to recognise that the overall revenue budget reflect the demand-led Adult Social Care and Children's Service budgets, which represented the most vulnerable people in society, impacting families on a day to day basis, and that reserves should be

used to support them for as long as possible.

6. Impact assessments in other budgets should look at how they might or should contribute to the work of ASC and CYPS budgets.
7. It be noted the Adult Social Care Scrutiny Commission agree to a 4.99% increase in the budget.

MINUTE EXTRACT

Leicester City Council

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

Held: TUESDAY, 30 JANUARY 2018 at 5:30 pm

PRESENT:

Councillor Dr Moore (Chair)
Councillor Cole (Vice-Chair)

Councillor Cassidy Councillor Riyait

In Attendance:
Deputy City Mayor, Councillor Russell, Children and Young People's Services

Standing Invitees
Joseph Wyglendacz – Teaching Unions representative
* * * * * * *

## 53. APOLOGIES FOR ABSENCE

Apologies for absence were received from Carolyn Lewis (co-opted member), Anu Kapur (standing invitee), Councillor Chohan, Councillor Willmott and Councillor Aldred.

## 54. DECLARATIONS OF INTEREST

There were no declarations of interest.

## 62. COUNCILS DRAFT REVENUE BUDGET 2018/19

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2018/19 to 2020/21.

Deputy City Mayor, Councillor Russell, Children and Young People's services introduced the budget relating to the Children's Services area.

Martin Judson, Head of Finance (Investing in Children) gave a presentation summary of education and children's services budgets 2018/19 which included areas of spend and sources of funding and highlighted budget pressures.

Deputy City Mayor, Councillor Russell, commented that although commission members were receiving more specific detail of the budgets and streams of funding in the presentation to gain a fuller picture only the General Fund element would be contained in the report to council.

The Chair welcomed the extra detail being presented to commission members and took the point of a more global report being presented to council.

Martin Judson, Head of Finance (Investing in Children) indicated that there would be some slight change to the "Departmental total" set out in the Budget Ceilings table (pg 30 App One) to take account of the Education Services grant ceasing and an adjustment of corporate funds set aside previously to balance that. Martin Judson, Head of Finance (Investing in Children) also agreed to send a financial reconciliation between the Budget Ceilings figures in the report (pg 30) and the Education and Children's Services Budget figures within the presentation to commission members.

Commission members discussed the significant pressures on budget lines, expressing concern at the level of impact of the increasing numbers of LAC and Child Protection cases upon Placement costs and Social Care Service costs as well as the increasing demand for services for children with Special Educational Needs (SEN) and pressure on the High Needs Block (DSG) budgets which included a shortfall of nearly £2m.

In response to questions from commission members it was noted that:

- The number of young people in the city was increasing significantly through increase in birth rate over time plus increase in migration. This brought with it other issues and pressures that impacted upon services.
- SEN numbers were increasing through population growth and coupled to that was an insufficient grant allocation which was not reflective of the increasing population.
- Services in Leicester had become better at identifying children with SEN and the special school provision had reached capacity at approximately 1,100 places with projected growth only funded at £4,000 per place.
- Compared to other authorities the costs relating to special schools overall were low which was a positive, however the increasing demand on transport costs was an area being considered for improvement.
- The service was at an early stage of reviewing all of its SEN placements and services to identify and ensure the most appropriate placements, working with schools to see if there were other ways of working and looking to capitalise on areas of expertise in the system.
- Ultimately some support services might not be provided by the authority due to funding pressures but the service would work with partners and consider fully who delivered specific services.
- The loss of the Education Services grant would have a significant impact on the school improvement service however corporate contingencies were made last year with funding set aside to mitigate that. The school improvement service would reduce with changes taking place over the summer (2018) and the service remaining would focus on those schools where there was most need.

Concerns were expressed that the report did not appear to differentiate the costs for services that were statutory or discretionary, or how the reducing funds were impacting on the legal obligation to perform and deliver certain services and where discretionary services were being lost.

Deputy City Mayor, Councillor Russell responded that the vast majority of services provided were statutory and there was some control over discretionary, e.g. in terms of children centres there was a duty to provide a service but the level of service was not set by statute. Costs for statutory services were increasing significantly and therefore the money available to spend on discretionary or non-prescribed services was diminishing.

The Chair commented that there was a need to look at the whole budget and to identify other areas of the council where savings might be made to enable reallocation of money to the Children's Service budget, in particular from areas where it was not essential spending.

AGREED:
1. That the Children Services element of the General Fund Revenue Budget 2018/19 to 2020/21 be noted,
2. That the Overview Select Committee takes account of the comments of the Commission outlined above.

Leicester City Council

**MINUTE EXTRACT**

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

Held: WEDNESDAY, 7 FEBRUARY 2018 at 5:30 pm

PRESENT:

Councillor Khote (Chair)
Councillor Rae Bhatia (Vice Chair)

Councillor Dr Barton
Councillor Kitterick
Councillor Patel
Councillor Porter
Councillor Sandhu

In attendance:

Sir Peter Soulsby – City Mayor

Councillor Piara Singh Clair – Deputy City Mayor, Culture, Leisure, Sport and Regulatory Services
Councillor Adam Clarke – Deputy City Mayor, Environment, Public Health and Health Integration

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## 43. APOLOGIES FOR ABSENCE

There were no apologies for absence.

## 44. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

## 52. DRAFT REVENUE FUND BUDGET

The City Mayor presented the draft report to be submitted to Council on 21 February 2018, which considered the proposed budget for 2018/19 to 2020/21.

It was noted that the draft budget had been prepared in advance of the finance settlement for 2018/19, and the final report would be updated to reflect any further information received.

The Commission also noted the Council's proposed spending cuts and made comment on the severity of the continued reduction in the central Government grant.

The importance of the outcomes of future spending review programmes and building up of reserves was recognised and it was accepted that the budget proposed was a one year budget with projections of further funding cuts required and expected beyond 2018/19.

In response to questions from Councillor Porter, in particular relating to recycling rates and the effect of the landfill tax, it was reported that diligent methods were being pursued to lessen the effect on taxpayers.

In conclusion, initiatives to promote the Council's income without reliance on central Government support were noted and encouraged.

AGREED:

that the report be received and the recommendations therein be supported.

Leicester
City Council

Minutes of the Meeting of the
HEALTH AND WELLBEING SCRUTINY COMMISSION

Held: THURSDAY, 11 JANUARY 2018 at 5:30 pm

P R E S E N T :

Councillor Cutkelvin (Chair)

Councillor Chaplin — Councillor Corrall
Councillor Osman — Councillor Waddington

*Councillors Chaplin, Osman and Waddington had left the meeting prior to the consideration of the budget.*

In Attendance:

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

Also Present:

Sylvia Reid – Interim Chair, Healthwatch

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## 53. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Fonseca and Sangster.

## 54. DECLARATIONS OF INTEREST

No declarations of interest were made.

## 63. DRAFT REVENUE BUDGET 2018/19

The Chair stated that as the meeting was inquorate, the Commission could not make any recommendations or agree the Draft Revenue Budget, but could ask questions.

The Chair referred to Spending Review Four and asked for further details. The Director of Public Health stated that in the Health and Wellbeing Division, there were currently on-going reviews for the sexual health services and for the lifestyle services. Spending Review Four would apply across the whole of the City Council. The Director of Adult Social Care explained that the main budget pressures for the Council arose from demand in Adult Social Care and Children's Services. The Government were carrying out a review in Adult Social Care and it could be seen that their focus was on older people and the NHS rather than on the wider social care issues including adult mental health and learning disabilities.

The Director of Public Health added that it was not possible to talk about public health services in isolation from other services: reductions in preventative services had an impact on other Adult Social Care and Children's Services.

Leicester City Council

**MINUTE EXTRACT**

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

Held: TUESDAY, 9 JANUARY 2018 at 5:30 pm

P R E S E N T :

Councillor Unsworth (Chair)

Councillor Halford
Councillor Shelton

In Attendance:

Councillor Clair – Deputy City Mayor

* * *   * *   * * *

**53. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Bajaj and Councillor Thalukdar.

**54. DECLARATIONS OF INTEREST**

Councillor Halford declared an Other Disclosable Interest in agenda item 8, “Sports Services Review – Consultation and Recommendations”, in that she had worked with the operators of Sunflower Nursery, Councillors and officers to retain the Nursery at Braunstone Leisure Centre.

Councillor Shelton also declared an Other Disclosable Interest in agenda item 8, “Sports Services Review – Consultation and Recommendations”, in that he used facilities at Evington Leisure Centre on a regular basis.

In accordance with the Council’s Code of Conduct, these interests were not considered so significant that they were likely to prejudice the Councillors’ judgement of the public interest. They therefore were not required to withdraw from the meeting during consideration of this item.

## 63. GENERAL FUND REVENUE BUDGET 2018/19 TO 2020/21

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2018/19 to 2020/21.

The Director of Tourism, Culture and Inward Investment advised the Commission that:

- Some additional costs had been incurred in delivering Tourism initiatives, as capital investments had been made to improve revenue streams;

- Proposals previously reported to the Commission to make savings of £1million in the Parks Service were now being implemented, (minute 37, "Tourism, Culture and Investment Division Spending Review", 19 September 2017 referred). All service areas continued to consider how savings could be made;

- Negotiations were underway with a contractor regarding improving the back wall of the Corn Exchange and it was hoped that an announcement about this could be made in a few weeks' time. Planning permission already had been obtained for this work;

- The income target for the market had not changed over recent years, but the capacity of the market had reduced, as trading space had been lost during refurbishment work. Space in the market area therefore was being used in other ways to generate income, for example by holding events there; and

- Bereavement Services were under pressure, as two private suppliers of these services were now operating in the area. This meant that income could no longer be guaranteed.

AGREED:

That the Chair of this Commission be asked to advise the Overview Select Committee that this Commission is satisfied with the City Mayor's budget proposals for 2018/19 to 2020/21 for the services falling within its remit, it being recognised that the Council is under significant budgetary pressures.

Leicester City Council

**MINUTE EXTRACT**

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

Held: WEDNESDAY, 24 JANUARY 2018 at 5:30 pm

P R E S E N T :

Councillor Gugnani (Chair)
Councillor Thalukdar (Vice Chair)

Councillor Bajaj Councillor Cutkelvin
Councillor Cank Councillor Khote

In Attendance

Councillor Clair, Deputy City Mayor with responsibility for Culture, Leisure, Sport and Regulatory Services
Councillor Master, Assistant City Mayor - Neighbourhood Services

Also Present:

Councillor Kitterick

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## 51. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Fonseca.

Members of the Economic Development, Transport and Tourism Scrutiny Commission had been invited to attend the meeting for agenda item 8, "Language and IT Training". Apologies for absence were received from Councillor Patel in relation to this.

## 52. DECLARATIONS OF INTEREST

No declarations of interest were made.

## 59. GENERAL FUND REVENUE BUDGET 2018/19 TO 2020/21

The Director of Finance submitted a report setting out the City Mayor's proposed budget for 2018/19 to 2020/21, noting that a balanced budget was proposed for the next financial year. This had been achieved by drawing on the last of the Council's reserves.

The Director of Finance advised the Commission that:

- Unison trades union had rejected the employers' offer of a 2% increase on employees' pay for 2018/19. This could have a significant impact on the budget, as allowance for a 1% award had been built in to budget ceilings;

- A significant pressure on the budget was the continuing reduction in housing benefit administration grant, received from the Department for Work and Pensions. The number of housing benefit claimants had not fallen, but by 2019/20 the grant received would be less than half that received in 2010/11;

- Under the government's welfare reforms, if elderly people were already in receipt of Housing Benefit they would continue to receive it. However, non-payment of rent was recognised as a risk for the Council, as reduced income to the Housing Revenue Account would affect the Council's ability to pay for repairs to the housing stock;

- Government funding for discretionary housing payments continued to be ring-fenced and would reduce over the next few years. The Council would be advised in March what funding it would receive for these payments over the coming year, but indications were that it would be approximately the same level as the current year;

- The Supporting Tenants and Residents (STAR) service initially had been included in the recent review of welfare advice services. However, it was felt that including it in the new social welfare advice contract would not have made that contract attractive to the market, so it was removed. Instead, an internal review was being undertaken to determine the way forward for this service; and

- This Commission's remit included discretionary services and regulatory services for which there was discretion in how they were provided. Historically, financial savings had been made through cuts to such services and this was likely to continue.

The Director of Neighbourhood and Environmental Services drew Members' attention to the large number of actions undertaken through these service budgets. For example, annually there were approximately 9,000 licensing applications processed, 13 million waste collections, 8,500 fly tips dealt with and 27 community/library buildings operated and maintained. Despite budget reductions over recent years, good services continued to be provided. This was evidenced from feedback such as that from waste collection services, which showed high levels of satisfaction with waste collection and waste management.

The Commission noted that a change in law relating to the content of waste processed through the anaerobic digester that the Council used at Wanlip had resulted in significant costs to the Council. These costs would be reduced by reducing the organic content of sand derivative from the waste processed there from the current level of approximately 15% to below 10%. Work was underway with Biffa, (the Council's contractor), to install clarifying equipment that it was intended would help achieve this.

The trade waste facility at Gypsum Close recycling centre also had an impact on the revenue budget, as an ambitious income target had been set when the current facility was opened in 2015. However, use of the facility was increasing and weighbridge revenue had increased by approximately 40% since the facility opened in 2015. These services were being promoted as much as possible, for example by including Information on trade waste services in the letters to be sent advising businesses of their rates for the coming year.

Loros currently operated the re-use shop at the Gypsum Close Recycling Centre. Under the contract, at or above a certain level of profit, some of that profit was passed to the Council. The amount being received was increasing, which would contribute towards the running costs for the site.

Members asked whether consideration had been given to recovering charges from Council tenants when their gardens had to be cleared by the Council. The Director of Neighbourhood and Environmental Services confirmed that charges for clearing private locations were passed on to the owners and suggested that Housing services could be asked to consider doing this for Council tenants. Any costs recovered in this way would be paid in to the Housing Revenue Account.

Members asked whether consideration had been given to recovering charges from Council tenants when their gardens had to be cleared by the Council. The Director of Neighbourhood and Environmental Services confirmed that charges for clearing private locations in, for example, filthy, verminous or fly-tipping situations, were passed on to the owners. The Director offered to feedback the Commission's view to Housing Services. This matter would relate back to the Housing Revenue Account.

It was questioned whether the current garden waste collection service had been successful. In reply, the Director of Neighbourhood and Environmental Services noted that approximately 4,200 residents currently used this chargeable and optional service, which was considered to be a reasonable level of use, noting the city environment. However, there was an ambition to further grow the customer base.

Concern was expressed that the budget reductions being faced by the Council would lead to a reduction in staff numbers. The Director of Finance advised that the level of budget reductions meant that it was not possible to provide guarantees about jobs, noting that the Council's employment costs currently were approximately £1million per day.

AGREED:

1) That the Director of Neighbourhood and Environmental Services be asked to:

    a) ask Housing services to consider recharging Council tenants when the Council is required to clear poorly maintained gardens; and

    b) provide this Commission with a full report on waste management costs, including information on how the city's waste is disposed of;

2) That the Director of Finance be asked to notify the Commission of the final level of funding to be available for discretionary housing payments in 2018/19, to enable a decision to be made on whether the impact of this on the city's residents requires further scrutiny; and

3) That the Chair of this Commission be asked to advise the Overview Select Committee that this Commission accepts that the Council cannot increase Council Tax for 2018/19 above the limit set by government and so supports the proposed increase of 4.99%.

Leicester City Council

4.2

# Housing Revenue Account Budget (including HRA Capital Programme) 2018/19 to 2020/21

**Full Council: 21st February 2018**

*Assistant Mayor for Housing: Cllr Andy Connelly*

Lead director: Chris Burgin

**Useful information**

■ Ward(s) affected: All

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

## 1. Purpose

1.1 The purpose of this report is for Full Council to consider and approve the proposed Housing Revenue Account (HRA) budget for the 3 years from 2018/19 to 2020/21.

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

## 2. Summary

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

2.2 Despite these pressures and uncertainties, this report recommends that the budget for 2018/19 is set as a balanced budget. The report recommends proposals to address a large part of the pressures for 2019/20 and 2020/21, giving time for the residual savings in these years to be delivered.

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

## 3. Recommendations

3.1 Taking into account the views of Housing Scrutiny Commission and the Tenants' and Leaseholders' Forum it is proposed;

i) To approve the Housing Revenue and Capital budgets for 2018/19
ii) To note the financial pressures on the HRA and comment on the proposals for delivering a balanced budget;
iii) To note the equality assessment of the proposed revenue and capital reductions required to present a balanced budget;
iv) To approve the approach to continue to implement the 1% reduction in rent;
v) To approve the proposed increase in service charges of 1% (excluding district heating and communal cleaning) and garage rent of 3.7%;
vi) To approve the proposed rents for Hostels;

## 4. Report

4.1 The HRA operates in a self-financing environment. Spending priorities are made in the context of needing to achieve the right balance between investing in, maintaining and improving the housing stock, providing landlord services to tenants, building new homes and supporting and repaying housing debt of £216m.

4.2 The HRA budget is set using modelling of future levels of income and expenditure. The Government's summer budget statement in July 2015 had a profound impact on assumptions about future rent increases. All housing associations and councils are required to decrease rents by 1% each year for 4 years, compared with the previous national policy of increasing rents by CPI+1%. The combined impact of rent reductions and reducing stock is expected to be £4.3m less income in 2020/21 compared to the current financial year.

4.3 The government has announced that rents can be increased by CPI+1% for the 5 years from 2020/21. Whilst any decision in relation to rents beyond 2020 would be taken by Council at the appropriate time, the planning assumption is that rents would increase by CPI+1%.

4.4 Central Government's decision to reduce rent by 1% p.a. over a four year period places the HRA under significant pressure to deliver a balanced budget. A number of other external pressures and changes place further burdens upon the HRA:

4.4.1 Universal Credit:
The Department for Work and Pensions has commenced the roll out of Universal Credit (UC) nationally which combines 6 different benefits into a single monthly amount. UC full service is due to commence in Leicester from June 2018. This will affect existing live service UC claimants, new claimants of 'legacy' benefits and changes in circumstances. Once introduced, all claimants will be expected to manage their UC claim and job search activities online. Currently a total number of 7,881 council tenants have been identified as being of working age and receiving full or partial housing benefit. These tenants will potentially migrate on to UC over the coming years, at an estimated rate of 173 council tenants each month starting June 2018. The collectable rent from UC claimants in the first year (2018/19) is *estimated* to be £1.66m, rising to £25.2m by 2022/23, when all existing benefit claims have been migrated to UC. Based on experience elsewhere it is estimated that UC will result in an increase in rent arrears of £1.26m, an increase of 86.5%.

4.4.2 High Value Vacant Homes Levy:
Within the Housing and Planning Act, Central Government outlined the introduction of a High Value Vacant Homes Levy. The Government has deferred the implementation of this until April 2019 at the earliest. If brought in this may require some properties to be sold when they become vacant in order to fund payment of the levy. It is not yet known how much the levy will be or how many homes may have to be sold. Reserves may be required to pay the levy before receipts from any sales have been received. This would place further pressure on falling rent income and result in stock numbers declining further.

4.5 The 1% mandatory rent reduction does not apply to service charges and garage rents. It is proposed to increase service charges for 2018/19 (excluding heating and cleaning charges) by 1% which will raise an extra £19k a year. It is proposed to increase garage rents by 3.7% (August CPI+1%) which would increase the average weekly rent to £8.79. This would bring in an additional £10k per year.

4.6 Hostel rents are also not covered by the mandatory rent reduction and are periodically re-set to ensure that they are aligned with the actual cost of running the service, and this exercise has been undertaken during 2017. If approved by Council this will result in an average increase of 5.04% for rents at the Dawn Centre and 6.22% at Border House. Tenants occupying accommodation at these hostels generally receive Housing Benefit to cover the full cost of this rent.

4.7 The Housing Transformation Programme began a programme of efficiency savings in 2013 and has so far reduced expenditure by £9m a year. Spending Review Phases 1, 2 and 3 achieved revenue savings of £5.9m and capital savings of £3.1m. Whilst phases 1 and 2 were focused on service improvement and efficiencies the phases 3 and the proposed phase 4 are required to enable savings to be achieved to address the budget gap of £3,856k in 2018/19 rising to £8,104k in 2020/21.

4.8 Unavoidable additional costs for the next 3 years are set out in table 1 below. The third and fourth years of the 1% rent reduction will reduce income from rent by £1.456m. An assumed rent increase of CPI+1% from 2020/21 onwards offsets this pressure (although this will be a decision for Council in 2020). A review of the current rate of sales through Right to Buy has resulted in revised assumptions about the loss of council houses going forward. Employee costs are forecast to rise by £1.999m by 2020/21 reflecting annual pay awards and increases in employer pension contributions. Materials and non-pay inflation is expected to cost an additional £885k. There continue to be significant challenges to collect income as direct payments to tenants are made as part of Universal Credit, as detailed above. The experience of other authorities where the roll-out is at a more advanced stage is that the number of tenants in arrears increases significantly, as does the average debt per tenant.

| **Table 1: Unavoidable Cost Pressures** | **2018/19 £000** | **2019/20 £000** | **2020/21 £000** |
|---|---|---|---|
| Rent Changes | 740 | 1,456 | (627) |
| RTB Stock Loss | 1,522 | 2,852 | 4,005 |
| High Value Vacant Homes Levy (if implemented nationally) | 0 | 548 | 902 |
| Employee Costs | 756 | 1,395 | 1,999 |
| Material Costs | 298 | 593 | 885 |
| Income Collection Costs | 140 | 140 | 140 |
| Increased Bad Debt | 400 | 600 | 800 |
| | **3,856** | **7,584** | **8,104** |

**Proposals for Capital Savings**

4.9 The capital expenditure requirement in 2017/18 is £16.28m. The capital expenditure requirement for 2018/19 before any savings or additional pressures have been identified is £15.3m. This reduction of £980k is due to 4 time-limited projects requiring no additional funding.

4.10 A reduction of £340k in the re-wiring programme is proposed. The impact of electrical upgrades to date has been positive enabling future savings to be made. Offsetting this is a

£300k growth towards the replacement of CCTV cameras across the estates and a £474k growth in the budget for new affordable housing.

4.11 Appendix B shows the proposed capital programme for 2018/19 to 2020/21. Overall there is a reduction in the capital expenditure requirement of £546k in 2018/19 and a further £774k in 2019/20 which contributes towards mitigating the pressures shown in table 1.

**Proposals for Revenue Savings**

4.12 The following sets out the proposed areas for savings for 18/19 to 20/21. These generate potential ongoing savings of £5.5m from the Housing Revenue Account.

4.12.1 Savings Already Identified - £2.71m

The 2017/18 budget contains a number of items for which budget is no longer required.

- The budget set aside a one-off amount of £528k for the High Value Vacant Homes Levy so this amount is not needed in 18/19 as implementation has been deferred until at least April 2019. The budget also assumed sales of dwellings as a result of the Levy, with an assumed reduction in rent. The rental income budget is understated by £250k as a result.
- The ending of pay protection for staff affected by previous years' staffing reviews releases budgets of £399k in 18/19, rising to £684k the following year.

Other decisions have been taken in year resulting in savings to the HRA:

- Changes to the length of the Apprenticeship scheme to fit with the demands of the service will save £452k in 17/18 rising to £928k from 19/20.
- Reductions in the level of admin support has delivered £120k of savings.
- A review of the Training Centre of Excellence has delivered a more effective structure whilst delivering savings of £66k in 18/19, rising to £86k from 19/20.
- A number of other, smaller changes have resulted in savings of £55k in 18/19 rising to £83k in 19/20 and £111k in 20/21.

In total these deliver savings of £1.87m in 18/19, rising to £2,68m, in 19/20 and £2.71m in 20/21.

4.12.2 Proposed additional Savings Options - £2.83m

4.12.3 Housing Transformation - £138,000

The proposed savings would be generated from a range of potential options including £113k from operational efficiencies in 18/19 (rising to £138k from 19/20) including an organisational review within the Housing Transformation Team.

4.12.4 Fleet and Transport - £250,000

The proposed savings would be generated from 2018/19 from operational efficiencies including a further reduction in fleet of 20 vehicles across Housing and an associated reduction in fuel.

4.12.5 Repairs - £909,000

£688k of the proposed savings will be generated from a combination of reduced jobs due to a fall in dwelling stock levels and improved productivity including a reduction in materials, reduction in operatives and associated reduction in line management. A further saving of £21k is proposed to be generated from deleting a vacancy within the DCI team for the housing stores and materials audit function. £200k can be achieved by utilising internal staff to undertake capital works. In total £411k of savings will arise in 18/19, rising to £851k in 19/20, and £909k in 20/21.

4.12.6 Gas, Heating and Hot Water - £149,000

The proposed savings would be generated from operational efficiencies related to a reduction in materials used and increased productivity reducing staffing.

4.12.7 Landlord Supplies- £141,000

The proposed savings would be generated from operational efficiencies through invest to save. By investing in energy efficient improvements, such as solar panels and improved LED lighting we will generate savings on electrical costs. The saving rises from £116k in 18/19 to £141k from 19/20.

4.12.8 Rents - £1,000,000

The proposed additional income relates to rents being set on the basis of formula rent when a property comes up for re-let rather than current practice which is for rents to remain the same from one tenancy to the next. Current tenants will not see a rise in their rents as this would only be applied to new tenancies. This would deliver additional income of £200k in 18/19, rising to £600k in 19/20 and £1m in 20/21.

4.12.9 Grounds Maintenance - £100,000

A further £100,000 relating to savings from the grounds maintenance budget.

4.12.10 ABSO review - £150,000

The proposed savings would be generated from operational efficiencies created through rationalisation of ABSO resource with reduced requirement following the TNS programme and increased channel shift of customer service.

4.13 A list of the savings and reductions outlined above are included at Appendix C. Appendix A shows a high level breakdown of the proposed HRA budgets for the next 3 years. The savings proposed for 2018/19 meet the amount required to balance the budget. There remains a shortfall in savings of £1,206k in 2019/20 rising to £1,240k in 2020/21. Throughout the following year further savings schemes will be identified to bridge the remaining shortfall, and the budget assumptions will be kept under review.

| **Table 2: HRA 3-Year Summary Position** | **2018/19 £000** | **2019/20 £000** | **2020/21 £000** |
|---|---|---|---|
| Budget Pressure | 3,856 | 7,584 | 8,104 |
| Savings & Reductions Identified | 3,856 | 6,378 | 6,864 |
| **Savings to be Identified** | **0** | **1,206** | **1,240** |

**HRA Reserve Position**

4.14 At the end of 2017/18, in addition to the minimum £5m working balance, the expected available revenue reserves are £17.3m as set out in table 3, below. Borrowing within the HRA is restricted by the debt cap, and available borrowing for capital investment is forecast to reach £8m over the next 3 years.

| **Table 3: Projected Available Reserves at 31st March 2018** | **£m** |
|---|---|
| Future Schemes Fund | 4.6 |
| Major Repairs Fund | 9.7 |
| Forecast 2017/18 Surplus | 3.0 |
| **Total Available Reserves** | **17.3** |

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

4.16 The Council has had an invest to save scheme for a number of years, which has worked well in providing up-front investment to reduce on-going costs. The HRA has been unable to access this fund and so in order to drive innovation it is proposed that an invest to save scheme is set up using HRA reserves, with up to £5m being made available. Options may include such items as estate based improvement works that remove ongoing revenue cost, technological or internal process improvements that require an initial capital injection to enhance the business and reduce ongoing revenue costs and channel shift beyond what is planned. It is proposed that this scheme is overseen by a Corporate team to consider and challenge scheme submissions with the driver of generating income or reducing ongoing revenue costs.

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

5.1 Financial implications

5.1.1 This report is exclusively concerned with financial issues.

**Stuart McAvoy, Principal Accountant (37 4004)**

5.2 Legal implications

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

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

**Jeremy Rainbow - Principal Lawyer (Litigation) - x371435**

5.3 Climate Change and Carbon Reduction implications

5.3.1 Leicester City Council has a corporate target to reduce city wide carbon dioxide emissions to 50% of the 1990 level by 2025 and Housing Services play a significant role in meeting this target. Maintained capital investment in schemes that will improve the energy efficiency of the council housing stock, ie. boilers, re-roofing and windows is welcomed. The proposed 'invest to save' in energy efficiency improvements such as LED lighting and solar panels as part of Landlord Supplies will save money and further contribute to the target

**Mark Jeffcote, Environment Team (x372251)**

## 6. Background information and other papers:

None

## 7. Summary of appendices:

Appendix A: Proposed HRA Budget 2018/19

Appendix B: Proposed HRA Capital Programme

Appendix C: Table of Revenue & Capital Reductions

Appendix D: Leicester average rents comparison

Appendix E: Other charges and payments 2018/19

Appendix F: How priorities were assessed for Expenditure

Appendix G: Feedback from consultation with Tenants Forum

Appendix H: Minutes of the Housing Scrutiny Commission

Appendix I: Equality Impact Assessment (EIA)

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

No

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

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

## Proposed 2018/19 HRA Budget

| Proposed 2018/19 HRA Budget | 17/18 Budget £000 | Inflation £000 | Growth £000 | Savings & Reductions £000 | Proposed 18/19 Budget £000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Rent | (75,001) | 0 | 2,662 | (450) | (72,789) |
| Service Charges & Other Income | (6,981) | 0 | 0 | (29) | (7,010) |
| Bad Debt Provision | 1,400 | 0 | 0 | 0 | 1,400 |
| | **(80,582)** | **0** | **2,662** | **(479)** | **(78,399)** |
| **Expenditure** | | | | | |
| Management & Landlord Services | 17,379 | 360 | 140 | (910) | 16,969 |
| Repairs & Maintenance | 25,897 | 694 | 0 | (1,437) | 25,154 |
| Interest on Borrowing | 9,495 | 0 | 0 | 0 | 9,495 |
| Set aside for High Value Vacant Homes Levy | 528 | 0 | 0 | (528) | 0 |
| Charges for Support Services | 5,728 | 0 | 0 | 0 | 5,728 |
| Contribution to General Fund Services | 5,274 | 0 | 0 | 44 | 5,318 |
| | **64,301** | **1,054** | **140** | **(2,831)** | **62,664** |
| **Capital Expenditure Requirement** | | | | | |
| | **16,281** | **0** | **0** | **(546)** | **15,735** |
| (Savings to be Identified) | 0 | 0 | 0 | 0 | 0 |
| **(Surplus) / Deficit** | **0** | **1,054** | **2,802** | **(3,856)** | **0** |

## Proposed 2019/20 HRA Budget

| Proposed 2019/20 HRA Budget | Proposed 18/19 Budget £000 | Inflation £000 | Growth £000 | Savings & Reductions £000 | Proposed 19/20 Budget £000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Rent | (72,789) | 0 | 2,794 | (400) | (70,395) |
| Service Charges & Other Income | (7,010) | 0 | 0 | (28) | (7,038) |
| Bad Debt Provision | 1,400 | 0 | 0 | 0 | 1,400 |
| | **(78,399)** | **0** | **2,794** | **(428)** | **(76,033)** |
| **Expenditure** | | | | | |
| Management & Landlord Services | 16,969 | 280 | 0 | (263) | 16,986 |
| Repairs & Maintenance | 25,154 | 654 | 0 | (1,057) | 24,751 |
| Interest on Borrowing | 9,495 | 0 | 0 | 0 | 9,495 |
| Set aside for High Value Vacant Homes Levy | 0 | 0 | 0 | 0 | 0 |
| Charges for Support Services | 5,728 | 0 | 0 | 0 | 5,728 |
| Contribution to General Fund Services | 5,318 | 0 | 0 | 0 | 5,318 |
| | **62,664** | **934** | **0** | **(1,320)** | **62,278** |
| **Capital Expenditure Requirement** | | | | | |
| | **15,735** | **0** | **0** | **(774)** | **14,961** |
| (Savings to be Identified) | 0 | 0 | 0 | (1,206) | (1,206) |
| **(Surplus) / Deficit** | **0** | **934** | **2,794** | **(3,728)** | **0** |

## Proposed 2020/21 HRA Budget

| Proposed 2020/21 HRA Budget | Proposed 19/20 Budget £000 | Inflation £000 | Growth £000 | Savings & Reductions £000 | Proposed 20/21 Budget £000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Rent | (70,395) | 0 | (376) | (400) | (71,171) |
| Service Charges & Other Income | (7,038) | 0 | 0 | (28) | (7,066) |
| Bad Debt Provision | 1,400 | 0 | 0 | 0 | 1,400 |
| | **(76,033)** | **0** | **(376)** | **(428)** | **(76,837)** |
| **Expenditure** | | | | | |
| Management & Landlord Services | 16,986 | 270 | 0 | 0 | 17,256 |
| Repairs & Maintenance | 24,751 | 626 | 0 | (58) | 25,319 |
| Interest on Borrowing | 9,495 | 0 | 0 | 0 | 9,495 |
| Set aside for High Value Vacant Homes Levy | 0 | 0 | 0 | 0 | 0 |
| Charges for Support Services | 5,728 | 0 | 0 | 0 | 5,728 |
| Contribution to General Fund Services | 5,318 | 0 | 0 | 0 | 5,318 |
| | **62,278** | **896** | **0** | **(58)** | **63,116** |
| **Capital Expenditure Requirement** | | | | | |
| | **14,961** | **0** | **0** | **0** | **14,961** |
| (Savings to be Identified) | (1,206) | 0 | 0 | (34) | (1,240) |
| **(Surplus) / Deficit** | **0** | **896** | **(376)** | **(520)** | **0** |

**Appendix B**

## HRA Capital Programme 2018/19 to 2020/21

| | 17/18 Budget £000 | 2018/19 Proposed Changes £000 | 2018/19 Proposed 18/19 Budget £000 | 2019/20 Proposed Changes £000 | 2019/20 Proposed 19/20 Budget £000 | 2020/21 Proposed Changes £000 | 2020/21 Proposed 20/21 Budget £000 |
|---|---|---|---|---|---|---|---|
| **Capital Schemes Requiring No Further Budget Approvals** | | | | | | | |
| Northgate | 300 | (300) | 0 | | 0 | | 0 |
| Mobile Working | 100 | (100) | 0 | | 0 | | 0 |
| Exchange Demolition | 80 | (80) | 0 | | 0 | | 0 |
| Tower Block Redevelopment | 500 | (500) | 0 | | 0 | | 0 |
| | **980** | **(980)** | **0** | **0** | **0** | **0** | **0** |
| **Investment in Council Housing** | | | | | | | |
| Kitchens | 2,800 | | 2,800 | | 2,800 | | 2,800 |
| Bathrooms | 1,200 | | 1,200 | | 1,200 | | 1,200 |
| Boilers | 3,500 | | 3,500 | | 3,500 | | 3,500 |
| Re-wiring | 2,200 | (340) | 1,860 | | 1,860 | | 1,860 |
| Re-roofing | 300 | | 300 | | 300 | | 300 |
| Soffits & Facia | 350 | | 350 | | 350 | | 350 |
| Windows and Doors | 150 | | 150 | | 150 | | 150 |
| Door Entry | 150 | | 150 | | 150 | | 150 |
| | **10,650** | **(340)** | **10,310** | **0** | **10,310** | **0** | **10,310** |
| **Environmental and Communal Works** | | | | | | | |
| Communal Improvements & Environmental Works | 750 | | 750 | | 750 | | 750 |
| Disabled Adaptations | 1,200 | | 1,200 | | 1,200 | | 1,200 |
| Fire Risk Works | 850 | | 850 | | 850 | | 850 |
| Safety Works including Targeted Alarms | 300 | | 300 | | 300 | | 300 |
| Loft Insulation | 100 | | 100 | | 100 | | 100 |
| Waylighting | 150 | | 150 | | 150 | | 150 |
| Sheltered Housing Improvements (ASC) | 100 | | 100 | | 100 | | 100 |
| Supporting Neighbourhood Hubs | 100 | | 100 | | 100 | | 100 |
| Concrete Paths Renewal | 100 | | 100 | | 100 | | 100 |
| CCTV | 0 | 300 | 300 | (300) | 0 | | 0 |
| | **3,650** | **300** | **3,950** | **(300)** | **3,650** | **0** | **3,650** |
| **Policy Provisions** | | | | | | | |
| Affordable Housing | 1,000 | 474 | 1,474 | (474) | 1,000 | | 1,000 |
| | **1,000** | **474** | **1,474** | **(474)** | **1,000** | **0** | **1,000** |
| | **16,280** | **(546)** | **15,734** | **(774)** | **14,960** | **0** | **14,960** |

**Appendix C**

## Proposed Reductions 2018/19 to 2020/21

| Proposed Reductions | Service description | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
|---|---|---|---|---|
| **Capital Expenditure** | | | | |
| Capital Schemes | Overall net change in the capital expenditure requirement, reflecting schemes coming to an end, a £340k reduction in re-wiring and a £300k growth for CCTV. | 546 | 1,320 | 1,320 |
| **Savings Already Identified** | | | | |
| HVVHL | Removal of the budget set aside for the High Value Vacant Homes Levy. | 528 | 528 | 528 |
| Rental Income | This reflects a change in the assumption for the number of homes sold from that which was included within the 17/18 budget. | 250 | 250 | 250 |
| Staffing Pay Protection | This relates to staff pay protection coming to an end. | 399 | 684 | 684 |
| Apprenticeship Scheme | This saving is from changes to the length of the scheme. | 452 | 928 | 928 |
| Admin Support | These savings are from reductions in the level of admin support across the department. | 120 | 120 | 120 |
| Training Centre of Excellence | These savings are from a review of the structure of this service. | 66 | 86 | 86 |
| Other Decisions Already Taken | Reflecting the savings associated with a number of other decisions taken throughout 2017/18. | 55 | 83 | 111 |
| | | **1,870** | **2,679** | **2,707** |
| **Revenue Savings** | | | | |
| Housing Transformation | This saving would result from organisational review of teams. | 113 | 138 | 138 |
| Fleet & Transport | This saving would arise from a reduction in vehicles and associated fuel. | 250 | 250 | 250 |
| Repairs | Saving from a combination of staff operatives, management and materials. | 411 | 851 | 909 |
| Gas & Hot Water | Savings from operational efficiencies through reduced materials and staffing. | 100 | 149 | 149 |
| Landlord Supplies | Saving on electrical costs from more efficient LED lighting and solar panels | 116 | 141 | 141 |
| Rents | Increased income from letting new tenancies at formula rent rather than current rent. | 200 | 600 | 1,000 |
| Grounds Maintenance | Saving on the grounds maintenance budget. | 100 | 100 | 100 |
| ABSO | Further saving on admin and business support costs. | 150 | 150 | 150 |
| | | **1,440** | **2,379** | **2,837** |
| **Total Savings Identified** | | **3,856** | **6,378** | **6,864** |

**Appendix D**

**Leicester average rents comparison**

| Property type | HRA 2017/18 | Formula Rent 2017/18 | Housing Association 2016 | Private Sector (LHA rate) 2017 | Private Sector (city wide) 2016/17 |
|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** |
| Room only | - | | - | 59.59 | 72.23 |
| Bedsit (studio) | 51.49 | £75.50 | 58.51 | - | 84.92 |
| 1 bed | 60.15 | £75.39 | 71.15 | 86.30 | 102.23 |
| 2 bed | 70.99 | £78.67 | 85.40 | 109.32 | 122.31 |
| 3 bed | 78.61 | £81.17 | 93.80 | 126.58 | 143.08 |
| 4 bed | 90.17 | £83.29 | 111.42 | 163.16 | (4+) 222.00** |
| 5 bed | 96.93 | £85.44 | 114.26 | 163.16 | |
| 6 bed | 112.15 | £88.23 | 130.81 | 163.16 | |

1. All rents are shown on a 52 week basis
2. Private Sector rents (LHA) are from the current 'Local Housing Allowances' for Housing Benefit purposes (2017). They are based on a survey of all local private sector rents and are set 30% up from the lowest rent.
3. Formula Rent is the rent for a property following government ‘Guidance on Rents for Social Housing’. The calculation is based on the value of the property, Leicester income levels and the size of the property.
4. All council housing meets the ‘Decent Homes Standard’ while 41% of private rented homes in the city fail to meet this standard (source: 2009/10 Private Sector Stock Survey *latest data available*).
5. Leicester City Council’s homes had an average energy efficiency (“SAP”) rating of 83.1 as at 1st April 2011. This compares to a private sector equivalent rating of 42.0 (source: 2009/10 Private Sector Stock Survey *latest data available*).
6. The housing association rents are from the Housing Association Statistical Data Return 2016 to the Homes and Communities Agency.
7. Private sector (city wide) rents taken from the government’s Valuation Office Rental Market Statistics recorded between 1.4.2016 and 31.3.2017. ** The Valuation Office only release private sector rent information at the level of 4+ bedrooms.

**Appendix E**

## Other Service Charges and Payments – proposed 2018/19 charges

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

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

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

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

**Payments**

(iv) Disturbance Allowance

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

(v) Decorating Allowances

Decorating allowances are paid to new tenants. The amount paid is based on the condition of the property in relation to decoration and is paid on a per room basis. The current allowances are paid through a voucher scheme with a major DIY chain this contract will end in March 2018. A procurement exercise is underway to select a new provider for the scheme. Current proposed allowances are set out below.

Allowance amounts:-

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

**Appendix F**

## How priorities are assessed for HRA expenditure

1. The Overall aim of Leicester City Council's Housing Division is to provide a decent home within the reach of every citizen of Leicester. This appendix sets out how we can best meet our five major priorities for investment in our 20,946 council homes and their neighbourhoods. These plans support the City Mayor's manifesto pledge of building pride in our neighbourhoods and stronger communities. They have been discussed with our tenants.

2. The priorities are:

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

3. We have made a commitment to our tenants to provide our services in an economic and effective way. One of the City Mayor's programme of Spending Reviews therefore covers the Housing Revenue Account. The Housing Transformation Programme began a programme of efficiency savings in 2013. To date Spending Review phases 1 and 2 have achieved £5.8m p.a. of savings. Phase 3 has delivered £3.2m of savings so far as a result of reconfiguring services and from reductions to capital budgets. Phase 3 will continue to deliver savings in future years as further efficiency measures are implemented. Since the Programme started all housing associations and council owned housing providers are required to decrease rents by 1% each year for 4 years. Given the significant reductions in income now expected, to deliver a balanced budget each year until the end of 2020 / 21, service reductions will also be required. It is proposed that the Executive consider the continued outcome of work on the HRA Spending Review phase 3 to identify a total reduction in spending of £8.1m p.a. by 2020 / 21. Where this work proposes changes to services to tenants then the Tenants' and Leaseholders' Forum is consulted and the proposals are considered by the Housing Scrutiny Commission.

4. The Technical Services Programme is looking at how the council maintains and manages our buildings. The aim is to create a joined up maintenance and management service which will save money, bring in additional income and deliver a better experience for staff and for external customers.

   The programme successfully completed its first year of reducing costs and increasing income through the implementation of a single "Corporate Landlord" function, delivering a good quality corporate building management service. The programme is also overseeing the work in relation to the reduction of depots (including the Ian Marlow site where a large proportion of Housing staff work), small and large open spaces review and continues to make headway on a managed service for Housing Stores, which is anticipated to be in place in 2018. The programme is due to complete in 2020 and is on course to do that.

5. Leicester's Housing service has a long history of delivering continuous improvement. Strong partnership and consultative working with tenants and other organisations has been the key to the improvement and progress achieved to date.

## Priority one – Providing Decent Homes

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

6. Nearly one is six homes in Leicester is a council house, flat, maisonette or bungalow. It is crucially important that we look after these assets, not just for current tenants but for those who will live in them for many years to come. When we plan the Housing Capital Programme we must consider what investment will be needed over at least the next 40 years, not just the next three or four years and not let the programmes for essential items with long life spans fall behind, for example roofs, boilers, wiring, kitchens and bathrooms.

7. Providing decent homes is not just about 'bricks and Mortar', it can also lead to improvements in educational achievement and health, help tackle poverty and reduce crime.

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

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

10. The Governments definition of a Decent Home is one that satisfies all of the four criteria:

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

11. As well as achieving the Decent Homes Standard we also address tenants' priorities. The majority of tenants see improvements made within their home as a priority and the priority element for improvement is kitchens and bathrooms. We have made a commitment to refurbish all kitchens and bathrooms by 2030.

12. From time to time major refurbishment or redevelopment projects are required. The current ones are the kitchen and bathroom refurbishment programme, St Peters tower block

refurbishment, central heating and boiler upgrades and the electrical improvement programme.

13. It is crucial we continue to repair and maintain homes. The Responsive and Planned Repairs Improvement Programme identified more effective ways to provide our day-to-day repairs service and deal with emergencies. Changes to our service offer and responsive timescales were implemented in October 2017. As a result of this there has been a reduction in the number of outstanding jobs that are out of category. At the end of 2016 / 17 there were 1,570 outstanding and out of category jobs, this has been reduced to 547 at the end of August 2017.

14. A review of the repair and improvement work undertaken when properties become vacant has taken place as part of the Housing Transformation Programme. Improvements have been made to our processes to reduce the length of time homes are vacant to ensure that new tenants are rehoused into suitable accommodation as quickly as possible and loss of income is minimised. This work has included the development of a Letting Standard to increase the consistency of repairs carried out on vacant properties. At the end of June 2016 the average re-let times for normal voids was 59.4 days, at the end of June 2017 this had been reduced to 48.7 days.

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

| Component for replacement | Leicester's replacement condition criteria | Decent Homes Standard minimum age |
|---|---|---|
| Bathroom | All properties to have a bathroom for life by 2030 | 30 - 40 years |
| Central heating boiler | Based on assessed condition from annual service | 15 years (future life expectancy of boilers is expected to be on average 12 years) |
| Chimney | Based on assessed condition for the Stock Condition Survey / Housing Health and Safety Rating System | 50 years |
| Windows and doors | Based on assessed condition for the Stock Condition Survey / Housing Health and Safety Rating System | 40 years |
| Electrics | Every 30 years | 30 years |
| Kitchen | All properties to have an upgrade kitchen by 2030 | 20 – 30 years |
| Roof | Based on assessed condition for the Stock Condition Survey / Housing Health and Safety Rating | 50 years (20 years for flat roofs) |

| Component for replacement | Leicester's replacement condition criteria | Decent Homes Standard minimum age |
|---|---|---|
| | System | |
| Wall finish (external) | Based on assessed condition for the Stock Condition Survey / Housing Health and Safety Rating System | 80 years |
| Wall structure | Based on assessed condition for the Stock Condition Survey / Housing Health and Safety Rating System | 60 years |

**Achievements in 2017 / 18 and proposals for 2018 / 19**

16. In 2017 / 18 £25.9m has been invested in maintaining our homes and a further £12m for improvements through the Capital Programme.

| Programmed element | Achievements and proposals |
|---|---|
| Kitchens and bathroom | We expect to have installed 600 kitchens / 250 bathrooms in 2017 / 18. During 2018 / 19 we are expected to install another 600 kitchens / 250 bathrooms. As of the 1st April 2017 72% of all council properties have had either a Leicester Standard kitchen or bathroom. The council has made a commitment to refurbish all kitchens and bathrooms by 2030. |
| Rewiring | We expect to have rewired 875 homes in 2017 / 18 and 790 during 2018 / 19 |
| Central heating boilers | Investment is calculated to replace boilers ever 15 years based on condition data from the annual gas service. We expect to have replaced 1315 boilers in 2017 / 18 and 1300 2018 / 19 |
| Roofing and chimneys | We expect to have installed 90 new roofs in 2017 / 18 and 100 in 2018 / 19 |
| Central heating systems | We have 179 properties without any form of central heating. In these cases tenants have refused to have central heating installed. Provision is made in the programme to install central heating on tenant request or when these properties become vacant. |
| Windows and doors | Excluding properties in Conservation Areas where there are often restrictions on the use of UPVC, we have 54 properties that do not have UPVC double glazed windows. In these cases tenants have refused our previous offers of installing double glazing. Provision is made in the programme to install windows / doors on tenant request or when these properties become vacant. Future investment will be targeted at installing secondary glazing to properties in Conservation Areas. |
| Structural works | Investment is required to address any structural works identified each year. As well as dealing with structural problems such as subsidence, issues such as woodwork treatment and failed damp |

| Programmed element | Achievements and proposals |
|---|---|
| | proof courses are also dealt with when identified |
| Soffits, fascias and guttering | By replacing these items with UPVC we reduce long term maintenance costs. We now have a 13 year programme. We expect to complete work on 95 properties in 2017 / 18 and 95 in 2018 / 19 |
| Condensation works | Investment is required to target those properties that have been identified as being more susceptible to condensation related problems as a result of their construction type or location. A multi option approach is being adopted along with the use of thermal imaging technology to produce property specific solutions. In 2017 / 18 we expect to complete work on 800 properties and a further 800 in 2018 / 19. Advice to tenants is also important as their actions can alleviate condensation problems, for example opening windows when cooking. |
| Safety and fire risk work | Investment is required to implement the planned programme of fire safety measures, as agreed with the Fire Service (see point 18.) |
| St Peters Tower Block refurbishment, including lifts | A major programme is coming to an end to refurbish four tower blocks in St Peters. This work has involved fitting new bathrooms and kitchens, installing individual heat meters to give tenants more control over heating bills, removing asbestos, upgrading pipework and risers for district heating and providing new lifts. The total cost of this project is £9.98m and is due for completion in April 2019. |
| E communications for repairs service | We are currently in a procurement exercise for new mobile working software so we can efficiently allocate tasks to staff out in the field. We are also looking at new hand held device provision. Longer term this technology could be extended to other staff who work remotely. |

17. We expect to carry out approximately 96,000 responsive repairs during 2017 / 18.

18. Fire safety is of paramount importance to us as a landlord. We have policies and procedures in place to reduce the risk of fires, for example our Housing Assistants carry out regular fire inspections to properties with communal areas such as flats, maisonettes and houses in multiple occupation. All these buildings have their own fire risk assessments and people are provided with a personal evacuation plan in case a fire starts. We have a no tolerance policy on items left in communal areas. If found these are removed so evacuation routes remain clear and combustible items are not left to encourage the spread of fire. Our fire safety work includes implementing recommendations made by the fire service. Following the tragic fire at Grenfell Tower in London we have rigorously reviewed our approach to fire safety in our 6 tower blocks. None contain external cladding, which might have contributed to the spread of fire at Grenfell Tower, nor do any of them have a gas supply. The tower blocks have weekly fire safety inspections and there is a ‘stay put’ policy for tenants if a fire does start. We will

be reviewing this policy in association with the Fire Service to ensure it is the most appropriate approach to take. St Leonards Court has passive fire protection measures in place, for example, communal fire doors and emergency lighting. A second lift is due to be installed during this financial year. The tower blocks in St Peters have or will be having passive fire protection upgraded as part of the refurbishment work already taking place. None of our tower blocks have sprinkler systems but a decision has been made to install these in all the blocks. Investigations are currently taking place on how best to progress this work. Letters have gone out and visits made to all our tenants in tower blocks to re-assure them of the safety measures we have in place and what they should do in the event of a fire.

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

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

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

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

21. We base staff in local area offices so they can understand local issues and be involved with local stakeholder groups. As part of the council's Transforming Neighbourhood Services programme housing offices are now in shared buildings in Saffron, Eyres Monsell, St Matthews, New Parks, Beaumont Leys, Mowmacre and Braustone. Work is currently taking place to look at the shared working options for St Peters, Rowlatts Hill and Humberstone housing offices.

**Achievements in 2017 / 18 and proposals for 2018 / 19**

22. In 2017 / 18 the budget for environmental and communal works was £750,000. It was shared across the city in all neighbourhood housing areas. Works included parking improvements, resurfacing courtyards, their appearance, improving the security of estates by the installation of gates and removal of bushes. Specific examples are:

- A garden boundary clarification scheme in Braunstone
- Improved parking in Eyres Monsell to improve bus access
- Removal of overgrown bushes and the paving of front gardens in Highfields
- Painting of communal areas and replacement of flooring in St Matthews
- Removal of overgrown bushes and the turfing of verges along Beatty Avenue to improve the appearance and security of the area

- Resurfacing courtyards in Beaumont Leys and Mowmacre
- Improved recycling facilities in New Parks
- External painting of 19 blocks of flats on Abbey Lane and Thurcaston Road.

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

24. The programme of upgrading door entrance schemes will continue based on condition surveys. We expect to upgrade 6 door entrance schemes during 2017 / 18 and a further 6 in 2018 / 19.

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

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

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

28. The Customer Services Centre runs a telephone advice line during working hours where tenants can report repairs and tenancy issues. Out of hours emergency calls are taken by an external provider. Last year the Customer Services Centre received 257,175 calls during the working day on the tenants' advice line, a decrease of 12,468 from the previous year. A further 13,070 calls were made out of hours.

29. We have reviewed our website pages so the majority of our housing related information is available on line. We are now working on a programme to provide greater on line access to our services over the next 12 months. Examples of what this will enable tenants to do include:

    - Making a rent payment
    - Setting up a direct debit
    - Viewing their rent account
    - Reporting a repair and enable them to select a convenient date and time for the appointment

30. We respond vigorously to reports of anti social behaviour and have CCTV on many parts of our estates. A review of these is currently taking place to establish how effectively these are being used. In 2016 / 17 we received 724 reports of anti social behaviour that were investigated and where necessary action was taken against perpetrators. This was 82 fewer reports than the previous year. In the first 3 months of 2017 / 18 we had received a total of 229 reports. A review is also taking place on our approach to tackling anti social behaviour to ensure our response is provided in the most efficient and cost effective way.

31. We work closely with the Tenants' and Leaseholders' Forum which has representatives from across the city. During 2017 / 18 the topics the Tenants and Leaseholders' Forum have been consulted on include:

- Our proposed Letting Standard
- Proposed changes to the estate warden service
- Transforming Neighbourhood proposals
- Responsive and planned repairs improvement programme
- The Council's new on line facility 'Your Account'
- These 2018 / 19 HRA budget proposals

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

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

32. The council and its partners have committed to cut carbon emissions by 50%, relative to 1990 levels by 2025. Part of this target was to reduce residential $CO_2$ emissions from 651,000 tonnes in 2006 to 530,000 tonnes by 2012, a reduction of 121,000 tonnes. Council housing accounts for 16.75% of all residential housing in the city. Therefore its pro rata contribution towards carbon reduction target is 20,268 tonnes. Through the Housing Capital Programme $CO_2$ emissions from council houses reduced by 58,523 tonnes between 2005 and March 2017. This means that we have already exceeded our target by 180%.

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

34. The most cost effective opportunities for carbon savings in the council stock are diminishing now that all properties have double glazed UPVC windows and all cavity walls have been insulated. However, any further reductions will help towards to city target and will improve energy efficiency for individual tenants and reduce fuel poverty.

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

- Completing external wall insulation on all suitable properties (1,340 properties left to do)
- Installing individual meters for tenants on district heating schemes (2,545 properties)
- Doing specialist work on the most hard to heat houses. For example, those properties with small wall cavities which are not suitable for typical wall installation programmes. There are 1,237 of this type.

**Achievements in 2017 / 18 and proposals for 2018 / 19**

36. During 2017 / 18 we continued our programme of installing more efficient boilers as boilers need replacing, increasing loft insulation to 250 mm and putting in double glazed windows and doors as demand arises. This work will continue in 2018 / 19.

37. In 2017/18 we have successfully started an extension to the installation of external wall insulation for an additional 135 properties. In 2018 / 19 we will continue to assess the opportunities for installing external wall insulation to our remaining solid wall properties. The number of properties tackled will be dependent on the level of match funding received from our partner organisations.

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

39. We have been installing heat meters to our homes as part of the St Peters tower block scheme. 255 properties have been fitted with meters so far with a further 85 to be fitted by the end of the programme. Future consideration will be given to extending the scheme to the remaining properties using district heating.

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

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

40. Leicester is a city with relatively low household incomes. For many, renting from the council or a housing association is the only hope of a decent and settled home. At the end of 2016 / 17 there were 11,403 households on the Housing Register but this reduced to 7,597 in September 2017. The reason for this reduction is due to changes in our Allocations Policy. Bands 4 and 5 of the Housing Register, and applicants within these bands, have been removed. People in these bands were on the Register but had no or a low level of housing need. As a result of this it was unlikely that we would ever be in a position to offer them a property. Removing the lower bands means that we focus on helping those people who are in priority need for housing. Another reason for the reduction in the number of applicants on the Housing Register is the removal of applicants who have enough money to consider other housing options, that is, buying their own property or shared ownership.

41. Right to Buy sales reduce the number of council houses available at an affordable rent. Since 2012, when the government increased the maximum discount and reduced the qualifying period, Right to Buy sales have increased. In 2016 / 17 we sold 446 homes, an increase of 202 on the previous year. Up until the end of September 2017 we have sold 161

homes. When flexible tenancies commence through the Housing and Planning Act 2016, it is likely these sales will continue to rise.

42. The Housing and Economic Development Needs Assessment 2017 identified that Leicester's net affordable housing need is 786 additional affordable housing homes per year to meet current and future demand from households who cannot afford to enter the private housing market. The city's average new supply of affordable homes has been less than a quarter of this need over the past 9 years.

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

- Significant uncertainty on the Government's approach to Affordable Housing. This includes the Government's recent announcement of a wide ranging review of social housing leading to a Social Housing Green Paper and the delay in clarifying how supported housing revenue costs will be addressed in future. The Prime Minister Theresa May outlined plans to set up a £2bn fund to build affordable housing at the Conservative conference in October 2017, which could deliver 25,000 homes across the country. However, it is uncertain what freedoms councils will be given to actually deliver these.

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

- The Government's requirement that funds available to invest in the new supply of Affordable Housing from either the Communities Agency's programme or from Right to Buy receipts can only meet a portion of the total costs of new supply. The balance of the costs must be funded by other means.

Current projections show that we expect to achieve a total of 764 new Affordable Housing homes between 2017 – 21. Regular monitoring reports to show progress are taken to the Affordable Housing Programme Board.

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

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

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

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

48. During 2017 Housing Officers started a programme of Tenancy Visits to tenants who may be vulnerable. This is an opportunity for us to check whether the tenant is coping in their home and where appropriate we sign post or refer people to support services. This is a preventative measure to help sustain tenancies, ensure people are safe, well and enables us to take action before a crisis point is reached.

**What will we achieve in 2017 / 18 and what are we proposing for 2018 / 19?**

49. The Affordable Housing Programme delivered 133 new homes in 2016 / 17 and it is predicted a further 79 for 2017 / 18.

50. We are exploring ways to increase the supply of new housing in Leicester, including the possibility of setting up a Housing Company to build more homes in the city. A housing company is a way for the council to intervene in the local housing market to deliver more private sale and rented housing, along with affordable housing products, including shared ownership homes in the city. We are currently looking at the financial feasibility of setting up a housing company and what form this would take.

51. This year it is expected that work will be done in 1509 homes (minor work to 1256 properties, under £500 and major work to 253 properties, over £500) to make them more suitable for existing council tenants with disabilities or for those who have waited a long time on the Housing Register. This work will continue in 2018 / 19 in response to assessments by Adult Social Care.

52. Vacant council and housing association properties are advertised through Leicester HomeChoice. Last year (2017/18) 204 council tenants transferred within the stock to homes better suited to their need and 883 households became new council tenants. A further 394 tenants obtained housing association tenancies. Up until the 15th September 2017, some 111 tenants transferred properties, there were 353 new tenants and 137 obtained housing association tenancies.

53. During 2016 / 17 we piloted a scheme to help tenants who are in overcrowded or under-occupied accommodation. This is particularly for people who have a lower priority on the Housing Register and it is unlikely they would be allocated a property through HomeChoice in the foreseeable future. The pilot promoted the HomeSwapper website that enables tenants to register and find a property that may be suitable for a mutual exchange. During May and June 2017 227 tenants registered onto the scheme, an increase of 166 on the previous year. We are monitoring the situation to establish whether the pilot will result in an increase in mutual exchanges taking place which enables tenants to resolve their housing needs.

54. The Income Management Team continues to ensure rent is paid and tenants with arrears are given support to clear their debt. In 2016 / 17 99.26% of rent was collected, which is a high percentage rate when compared with other similar sized authorities. Total rent arrears, at the end of 2016 / 17, stood at £1,461,354. The team works closely with the Housing Benefits service and makes referrals for Discretionary Housing Benefit. In 2016 / 17 £326,386 in Discretionary Housing Benefit payments were made to council tenants. There will be greater challenges ahead to collect rental income as direct payments to tenants, through Universal Credit, is widened in Leicester from June 2018. Other authorities, where this has already been introduced, have seen a substantial increase in their level of rent arrears. Another future challenge will be if the Pay to Stay scheme, form the Housing and Planning Act 2016, is implemented. This is where rent levels need to be set according to a tenant's income, above a certain threshold.

55. 87.5% of tenancies were sustained in 2016 / 17. This means that 87.5% of people who became new tenants in 2015 / 16 remained in their tenancy 12 months later. For the first quarter of 2017 / 18 this sustainment had increased to 88.4%. The STAR service supported 1,849 tenants during 2016 / 17 to help sustain their tenancy, and a further 401 (some of these may have continued their support from the previous year) in 2017 / 18. The STAR service also provided an intensive package of support to help Syrian refugees settled into their new homes.

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

**What is our planned approach for achieving this?**

56. Contracts are placed through the corporate procurement unit which takes steps to use council spending to stimulate the local economy. Most higher value contracts have local labour clauses.

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

58. The councils Leicester to Work initiative provides opportunities to the long unemployed and work experience for school students, graduates and ex-offenders.

**Achievements in 2017 / 18 and proposals for 2018 / 19**

59. The total value of external contracts, funded through the HRA is £15m in 2017 / 18. The Housing Division employs a workforce of over 850 staff funded through the HRA.

60. 23 Apprentice Maintenance Technicians successfully completed their apprenticeships in 2017 and successfully achieved permanent employment with Leicester City Council and 15 people started their apprenticeships this year. This scheme will be reviewed regularly to ensure it meets the needs of the service and the apprentices. In addition proposals are currently under development to provide extended employment from 6 to 12 months for Neighbourhood Improvement Operatives to create a pathway into the apprenticeship programme at no additional expense. It is also intended to further promote these employment opportunities to hard to reach groups.

61. Housing's Neighbourhood Improvement scheme continues to help the long term unemployed by giving pre-employment training and a period of work experience. During 2016 / 17, some 37 people were employed on 6 month fixed contracts as Neighbourhood Improvement Officers and up until September 2017 a further 9. Their work on our estates includes painting, cleaning overgrown areas, tidying unsightly spots, cleaning UPVC windows and removing rubbish.

62. The Division has funding to employ 3 graduates or undergraduates on 11 month fixed term contracts each year.

**Appendix G**

# Tenants' and Leaseholders' Forum meeting

## 7th December 2017

## Feedback on the proposed HRA Rent Setting and Budget for 2018/19

**Tenants and Leaseholder Forum- Consultation feedback**

On the 7th December 2017 the Tenants' and Leaseholders' Forum met and were presented with the proposals for the Housing Revenue Account rent setting and budget for 2018/19. The Tenants and Leaseholders Forum were to consider and make comments on the proposals contained within the report.

| Proposal | Tenants' and Leaseholders' Forum feedback |
|---|---|
| The HRA rent setting report is set as a balanced budget | All Forum members agreed to this proposal noting the current challenges the Council faces. Forum members sought reassurances around future spending reviews and asked to be kept informed. |
| Note the proposed increase in service charges of 1% (excluding district heating and communal cleaning) and garage rent of 3.7%; | All Forum members noted this proposal |
| Housing Transformation Team | Forum members noted the importance of saving money, and the reason why we have had to make some changes within the team, but sought reassurance that the Tenants &Leaseholders Forum would still be supported to enable tenants to have a voice. |
| Fleet and Transport | Forum members sought reassurance that any reduction would be done in a planned way to ensure the Council did not dispose of vehicles which may later be required. They are sought reassurances about which areas would be affected by this to ensure this was not disproportionate. |

| Proposal | Tenants' and Leaseholders' Forum feedback |
|---|---|
| Gas, Heating and Hot Water | Forum members expressed concern that a potential reduction of staff could have a negative impact on performance and that this would be should be managed in a planned way. Tenants also asked for reassurances around performance levels and confirmation that they would still have quality materials used in their properties. |
| Grounds Maintenance | Tenants expressed concerns regarding this service around a lack of grass cutting taking place and asked that this be looked at carefully to ensure that any changes meet the needs of local estates. |
| ABSO (Admin) | Members accepted the need for changes but expressed a need that remaining staff be knowledgeable and appropriately trained to support the changes to Channel Shift. |
| Capital Saving | Members were pleased with the work that had been undertaken in this area to date and asked that re-wiring should be continue to be completed where needed to ensure they did not become neglected. |
| General comments from the Forum | The Forum expressed concern about reducing staffing levels in the districts particularly for more vulnerable residents and those with language barriers and sought reassurances that this would be addressed moving forward<br><br>The Forum noted they had received a presentation on this but also asked for more information regarding the TNS Programme to understand the ongoing work in this area and to discuss the impact on residents of reducing offices and staffing in these offices and support to more vulnerable tenants with channel shift forthcoming.<br><br>The Forum noted the changes taking place as part of Channel Shift but asked |

| Proposal | Tenants' and Leaseholders' Forum feedback |
|---|---|
| | for further consultation on the in 2018 to ensure their views are taken on Board and that the Council does not create a two tiered system between those who can use IT and those who can't.<br><br>The Forum asked that their feedback be provided back on the need for more affordable housing to reflect local needs. |

**APPENDIX H**

Leicester City Council

Minutes of the Meeting of the
HOUSING SCRUTINY COMMISSION

Held: MONDAY, 18 DECEMBER 2017 at 5:30 pm

P R E S E N T :

Councillor Cank (Chair)
Councillor Alfonso (Vice Chair)

Councillor Aqbany Councillor Halford
Councillor Hunter

In attendance

Councillor Connelly – Assistant City Mayor, Housing

*** ** ***

## 54. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Byrne.

## 55. DECLARATIONS OF INTEREST

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

There were no declarations of interest.

## 56. PETITIONS

The Monitoring Officer reported that no petitions had been received.

## 57. QUESTIONS, REPRESENTATIONS OR STATEMENTS OF CASE

The Monitoring Officer reported that no questions, representations or statements of case had been received.

## 58. HOUSING REVENUE ACCOUNT BUDGET 2018/19 TO 2020/21

The Chair noted the purpose of this special meeting and thanked Officers for preparing the report.

The Director of Housing presented a report which sought the views of the Commission on proposals for setting the Housing Revenue Account (HRA) budget for the three years from 2018/19 to 2020/21, before being taken to Executive and then Full Council.

Key points presented by the Director of Housing in the report included:

- A number of factors had placed the HRA under significant pressure to deliver a balanced budget including the government's decision to implement a 1% rent reduction over a four year period, Universal Credit, High Value Vacant Homes Levy, inflation pressures and the impact of Right to Buy sales.
- The report recommended that the budget for 2018/19 was set as a balanced budget and set out proposals to address the pressures of 2019/20 and 2020/21 giving time to make the necessary savings which was shown in appendix A.
- It was noted that the proposed increase in hostel rents was to align costs between running the service, of which the Dawn Centre and Border House would be affected.
- The Housing Transformation Programme began a programme of efficiency savings since 2013 which reduced expenditure by £9m a year with the latter phase proposals being required to enable savings to address the budget gap of £3,965k in 2018/19 and £8,028k in 2020/21.
- Proposals for the revenue savings set out in 4.12 to 4.13 of the report and proposed reductions (Appendix C) were noted for considerations.
- The commission were informed that despite all the proposed savings, there would still be a shortfall in savings of £1,130k in 2019/20 and £1,164k in 2020/21 demonstrated in table 2 of the report.
- The expected HRA Reserve position at the end of 2017/18 was noted as £17.3m. Over £6m was set aside to be spent on the refurbishment of Goscote House.
- In the recommendations a HRA invest to save scheme was proposed to deliver new and innovative ways of reducing ongoing revenue expenditure and/or to generate additional income.
- On the 7th December 2017 the Tenants' and Leaseholders' Forum met and were presented with the proposals for the Housing Revenue Account rent setting and budget for 2018/19. The Tenants and Leaseholders Forum considered and made comments on the proposals contained within the report. The Director of Housing presented the comments and feedback to the commission. (A member of the forum was also present at this meeting).

**Agreed**; A copy of the comments on proposals provided by the Tenants and Leaseholders' Forum would be inserted to the report (as an appendices) and feedback provided to the Executive.

Arising from Members questions, the following was noted:

- Explanation for hostel rent increase - This was clarified that the proposed increase was to ensure balanced accounts in this business area with actual cost of running service. Most tenants occupying hostel accommodation were noted as being in receipt of housing benefit.
- Reduced stock levels - Each year 460 stock was noted to be lost through RTB. It was noted as necessary that stock numbers were reduced, calculations could be done by working out the number of repair jobs done, and the amount of resources including staff to deliver services.

**Agreed**: Further to a query regarding repair team numbers, it was agreed that a staff structure breakdown of the Housing repair teams would be provided to the Commission.

- A member had concerns that as housing stock became older, would it cost more to repair older houses? And would cutting repairs not have an impact on the service provided. The response was that stock conditions were assessed continually, each year and for many years previously there has been capital investment to maintain and improve Council Housing and the Council house stock is in very good condition, which reduced the amount of responsive repairs and allowed for planned repairs.
- Details of the governments current position with RTB were explained including the proposed government scheme with RTB for Housing Associations. Further details were still being awaited from central government on this second element.
- The cost impact of High Value Vacant Homes was queried. It was noted that the budget had set aside a one off amount in preparation for this should the government move forward with it.
- A pilot scheme to install individual heat meters to several homes had taken place. The results showed that on average tenants saved money and could see what energy was being used. However, some complexities of installing these heat meters were noted in other blocks, for instance challenged at the Aikman Avenue blocks which were due to pipework. The installation was also noted to be very costly.
- Future consideration was to be given to extending the scheme to remaining properties using district heating and the relevant officers were currently looking into how this would be charged and implemented.

**Agreed**: Further details regarding district heating would be provided to the commission in the future.

- Universal Credit (UC) – A member had concerns about the potential of high number of rent arrears which could escalate from tenants being paid directly and whether any support was in place for tenants once the UC rolled out in June. It was noted that;
  a) A recent UC plan report was recently sent to the Assistant Mayor for Housing setting out all the work the Housing Division was doing to meet this major challenge and this included requesting additional resources to meet it.

b) Works with the Department of Work and Pensions (DWP) were taking place, part of which was for DWP Officers to support UC recipients and LCC IMT officers working alongside DWP staff.
c) Hardware devices had been requested in order for assistance to be provided within recipients homes when dealing with DWP/UC claims
d) Part of the plan was to implement additional resources. LCC are pushing to become a 'trust of partner' which would allow direct processing and application for some appropriate payment to the landlord for tenants with arrears which had escalated past a certain number of weeks.
e) Direct debit payments were also being encouraged

**Agreed**: The report for consideration of setting up a housing company was requested by the Chair and agreed to be provided by the Director of Housing.

**Agreed**: For further details on Housing Benefit (HB) entitlement for certain age groups and proposed reductions to be provided in a future report. It was noted that further information was also being awaited from central government.

Other points raised about the report included;

- Adult Scrutiny Commission (ASC) and the transition from care to adult care was highlighted. The commission were informed that this month all heads of Housing and ASC came together to enhance joint working arrangements and to work to continue to improve this with a list of necessary improvements. All the items were then allocated to the relevant Officers. One of the aims was to ensure the services were working for specific individuals.
- A number of services were reported to now be available online. Future aims also included the online 'my account' service for matters such as rents and repairs. It was noted that the rent aspect of this service was hoped to be implemented by Spring 2018 and the repairs aspect was aspired by Autumn 2018. This would see a further reduction in phone calls and encourage savings for channel shift improvements.
- A member requested more information for services such as my account, online services and recycling to be more available publicly for instance; posters in libraries and community centres. Another member did have concerns that staffing at these places was not necessarily available.
- The representative from the Tenants and Leaseholders forum agreed to provide information in the future about their recent meeting with a Minister in London, of which the main discussion was homelessness.
- Following a members positive response to the transformed hostel on Lower Hastings Street and request for more buildings of this type. It was noted that there was only a small borrowing head room to build more, which limited what could be achieved within the HRA account.
- The Chairs final note was that fire safety remained a priority.

Assistant Mayor for Housing, Councillor Connelly thanked Officers regarding the work on budgets and was happy to bring a report along on the new housing company which would potentially be introduced. Happy Christmas celebrations were expressed to all.

The Chair thanked Councillor Connelly, The Director Housing, all the Officers including Scrutiny and extended appreciation for the reports.

**59. CLOSE OF MEETING**

The Chair declared the meeting closed at 6.35pm

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

| | |
|---|---|
| Title of spending review/service change/proposal | Housing Revenue Account Budget 2018/19 to 2020/21 |
| Name of division/service | Housing |
| Name of lead officer completing this assessment | Helen McGarry, Business Change Manager, Ext 5129<br>helen.mcgarry@leicester.gov.uk |
| Date EIA assessment completed | 18th December 2017 |
| Decision maker | Full Council |
| Date decision taken | 21st February 2018 |

| **EIA sign off on completion:** | **Signature** | **Date** |
|---|---|---|
| Lead officer | Charlotte McGraw | |
| Equalities officer | Hannah Watkins | |
| Divisional director | Chris Burgin | |

**Please ensure the following:**

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

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

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

**1. Setting the context**

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

The Housing Revenue Account Budget report is proposing a 1% reduction in council home rents in 2018/19 and 2019/20. The budget is being proposed in the context of the Government requirement that rents are reduced by 1% p.a. for a four year period from 2016 to 2020. Due to the continuing reduction in income savings of £3,856k need to be made in 2018/19 and a further £3,728k in 2019/20 to deliver a balanced budget, without using reserves. The budget report is proposing the savings are achieved through a combination of revenue savings and adjustments to the capital programme. The following options are being put forward within the budget report:

- Increase service charges and garage rents by 3.7%, excluding district heating and communal cleaning charges.
- Increase rents for the Dawn centre by an average of 5.04% and for Border House of 6.22%.
- £138,000 savings from Housing Transformation to include operational efficiencies, an organisational review of the Housing Transformation Team.
- A £250,000 saving from reducing the number of vehicles across Housing by 20.
- £909,000 within the repairs service generated from operational efficiencies, reduction in operatives, line management and deleting a vacancy within the DCI team for housing stores and material audit function, and undertaking capital works which are currently procured.
- £149,000 for gas, heating and hot water services through operational efficiencies, reduction in materials used and reducing staffing.
- £340,000 saving relates to a reduction in the re-wiring programme.
- £500,000 relates to a proposed saving from the Tower Block Refurbishment Programme, which is due for completion.
- £80,000 relates to the Exchange demolition budget which is due for completion.

- £400,000 relates to the Hardware rollout and mobile working budget which is due for completion
- £141,000 proposed savings generated from operational efficiencies through invest to save, investing in energy efficient improvements.
- £1,000,000 relates to rents being set on the basis of a formula rent when a property comes up for re-let rather than the current practice which is the rents remaining the same from one tenancy to the next.
- £100,000 savings from the Grounds Maintenance budget.
- £150,000 saving from the rationalisation of the ABSO review as a result of the TNS programme and increased channel shift of customer service.

The main service need of tenants is that they have a suitably sized, Decent Home, maintained through an effective repairs service with quality tenancy and estate management services. Current service user needs will continue to be met, however, some non-urgent schemes and services will need to be re-prioritised, resulting in longer waiting times for services.

**2. Equality implications/obligations**

Which aims of the Public Sector Equality Duty (PSED) are likely be relevant to the proposal? In this question, consider both the current service and the proposed changes.

| | **Is this a relevant consideration? What issues could arise?** |
|---|---|
| **Eliminate unlawful discrimination, harassment and victimisation**<br>How does the proposal/service ensure that there is no barrier or disproportionate impact for anyone with a particular protected characteristic | From this equality impact assessment no significant impacts have been identified. |

| | |
|---|---|
| **Advance equality of opportunity between different groups** How does the proposal/service ensure that its intended outcomes promote equality of opportunity for users? Identify inequalities faced by those with specific protected characteristic(s). | The proposals continue to commit to the provision of decent homes to council tenants and equality of opportunity for people to have decent homes to live in. The standard of accommodation in council owned properties is higher than in some areas of the private sector. |
| **Foster good relations between different groups** Does the service contribute to good relations or to broader community cohesion objectives? How does it achieve this aim? | Maintaining properties and making improvements on estates creates an environment where people are satisfied with their homes and the area they live in, reducing the likelihood of anti social behaviour and community tensions. |



| **3. Who is affected?**<br><br>Outline who could be affected, and how they could be affected by the proposal/service change. Include current service users and those who could benefit from but do not currently access the service. |
|---|
| The proposal to reduce rents will affect all Leicester City Council tenants across the city. Approximately 30% of tenants are in receipt of full housing benefit at present and will continue to have any rent payable covered by their benefit entitlement. The positive impact of having to pay less rent will affect approximately 70% of tenants who are in receipt of partial or no housing benefit. The impact of the rent reduction will be dependent of tenants' financial situations rather than any protected characteristic.<br><br>Service charges are added to a property when improvement work has been completed in a property or extra services are provided, for example door entry or security systems. All tenants who pay these charges will need to pay 1% more each week for these. The charge will depend on what improvement work has taken place over time at each property. Work is carried out as a result of the condition of a property through the capital programme and is therefore not based on a persons protected characteristic. Approximately 30% of tenants are in receipt of full housing benefit and they will continue to have any service charge payable covered by their benefit entitlement. The negative impact of having to pay more for service charges will affect approximately 70% of tenants who are in receipt of partial or no housing benefit. The impact of the service charge increase will be dependent on tenants' financial situations rather than any protected characteristic.<br><br>It is proposed that rents for the Dawn Centre are increased by, on average, 5.04% and 6.22% for Border House. As with council tenants the impact of this will be dependent on the financial situation of the people being temporarily accommodated at these |

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premises and not their protected characteristics. Our records show that the majority of people who stay at the Dawn Centre and Border House are in receipt of full housing benefit, which will be paid to cover the increase in rent charged.

Council owned garages are rented out to members of the public generally, not just council tenants. The charge is not covered by housing benefit. We currently have 1305 garages available for rent, so the proposed 3.7% increase could impact upon 1305 people, dependant on how many garages are actually let at any one time. Our protected characteristic profiling information in relation to people renting garages is currently limited so it is not known whether there will be a bigger impact on a particular group. However, the impact is more likely to be as a result of their financial situation and ability to pay the extra rent rather than as a result of having a particular protected characteristic.

As the current hardware project to roll out mobile working to front line staff is due for completion the ongoing budget of £100,000 will no longer be required. Going forward the removal of this budget will have no impact on customers or staff. However, all tenants will benefit from the mobile hardware now in place, irrespective of whether they have a protected characteristic, through improved service delivery. It has been identified that the £300,000 budget for the Housing System Replacement is no longer required. Again, there will be no impact on staff or customers with this proposal.

It is proposed that there will no longer by a need for 20 vehicles across the division. Operational efficiencies have enabled this to happen without an impact on service delivery and therefore there will be no direct impact on customers, including those with a protected characteristic. There will be no change to the service customers receive through this proposal.

The proposals for the repairs, gas, heating and hot water services relate to internal working arrangements. There are no proposals to change the services currently received by customers, therefore there will be no impact on them, including those with a protected characteristic. Changes to the internal structure of the services will have an impact on existing staff for which an organisational review may be required. If this happens a specific equality impact assessment will take place.

The Housing Capital Programme generally benefits all tenants in the city. Projects to improve individual properties are decided on their condition or to meet health and safety regulations, rather than a protected characteristic of a tenant. Decisions on the Capital Programme are based on the age of properties, the predicted lifespan of when items will need replacing and health and safety regulations. The decisions are not area or tenant based. It has been identified that through operational efficiencies there is scope to reduce the re-wiring programme to make savings. However, those properties requiring a re-wire will still have this work completed as we have a legal obligation to do this through health and safety regulations. This work will be identified through property condition surveys and not based on the protective characteristics of a tenant. It is proposed that we use internal staff to undertake other capital works that are currently procured externally, but does not propose to change the service received by customers in other ways. Therefore there should be no impact on customers, including those with a protective characteristic. However, the proposal will impact on internal staff and those currently providing the service externally. An organisational review may need to take place to implement the change, for which a specific equality impact assessment will need to be completed.

It is proposed that savings are made from the Tower Block Refurbishment Programme and the Exchange demolition budgets as a result of this work coming to an end. Going forward the removal of these budgets will have no impact on customers or staff. However, all tenants within the tower blocks and living within Eyres Monsell, irrespective of their protected characteristics, will benefit from the improvements these projects have delivered.

Setting a rents formula to properties becoming vacant will not impact on current tenants. They will see no change to their rents, except as currently with the annual rent setting process. This relates to all current tenants, including those with a protected characteristic. This proposal will impact on all new tenants who are allocated vacant properties in the future. Offers of accommodation are made based on housing need. It is proposed the rent formula is applied to all vacant properties, irrespective of who the incoming tenant is or whether they have a protected characteristic. Incoming tenants who are entitled to full housing benefit will have the extra charged covered by this benefit. It will therefore be those receiving partial or no housing benefit who will need to pay the increased rent for the property. If current trends continue this will equate to approximately 70% of new tenants. The impact will therefore depend upon a new tenants' financial position and not their protected characteristic.
Budgets available for grounds maintenance work are allocated on the condition of an area and is not related to the protected characteristics of people living in these.

The proposal to rationalise the ABSO resource will impact upon staff currently in these positions. This rationalisation may require an organisational review for which a specific equality impact assessment will need to be completed as part of this process. This proposal will not have a direct impact on customers as they will continue to receive services. However, the TNS and channel shift projects may impact on how or where customers access these services. Separate equality impact assessments have been developed for these projects.

| **4. Information used to inform the equality impact assessment**<br><br>What **data, research, or trend analysis** have you used? Describe how you have got your information and what it tells you. Are there any gaps or limitations in the information you currently hold, and how you have sought to address this, e.g. proxy data, national trends, etc. |
|---|
| Tenant profiling information has been collected and analysed from the Northgate IT system (Appendix 1). This includes information on ages, ethnic origin, disability, gender, sexuality and religion. There are gaps in data in relation to gender re-assignment, marriage and civil partnership, pregnancy and maternity and sexual orientation. There is also little information collected specifically about impairments. Improved systems to collect monitoring data is taking place and over time the profiling information available will increase. |

| **5. Consultation**<br><br>What **consultation** have you undertaken about the proposal with current service users, potential users and other stakeholders? What did they say about:<br>▪ What is important to them regarding the current service?<br>▪ How does (or could) the service meet their needs?<br>▪ How will they be affected by the proposal? What potential impacts did they identify because of their protected characteristic(s)?<br>▪ Did they identify any potential barriers they may face in accessing services/other opportunities that meet their needs? |
|---|
| A meeting of the Tenants' and Leaseholders' Forum took place on the 7th December 2017 and were presented with the proposals for the Housing Revenue Account rent setting and budget for 2018 / 19. The feedback they provided was as follows:<br>All Forum members agreed to the proposal to set a balanced budget and noted the current challenges the council is facing.<br>Forum members sought reassurances around future spending reviews and asked to be kept informed.<br>Forum members noted the proposal to increase service charges by 1% and garage rent by 3.7%.<br>Forum members noted the importance of saving money and the reason why proposals were being made to changes within the Housing Transformation Team. They sought reassurances that the Tenants' and Leaseholders' Forum would still be supported to enable tenants to have a voice.<br>In terms of the reduction in the number of vehicles owned by the division Forum members sought reassurances that any reduction would be done in a planned way to ensure the council did not dispose of vehicles which may later be required. They sought reassurances about which areas would be affected by this to ensure this was not disproportionate. |

In terms of the proposals relating to Gas, Heating and Hot Water Forum members expressed concern that a potential reduction of staff could have a negative impact on performance and this should be managed in a planned way. Forum members wanted confirmation that they would still have quality materials used in their properties.
Forum members expressed concern regarding the savings proposed for Grounds Maintenance, particularly around a lack of grass cutting taking place and asked that this be looked at carefully to ensure that any changes meet the needs of local estates.
Members accepted the need to change in relation to the proposed savings identified for administration within the division. However, they expressed a need that remaining staff be knowledgeable and appropriately trained to support the changes to Channel Shift.
Members were pleased with the Capital Programme work that had been undertaken to date and asked for re-wiring to be continued where this was needed.
The Forum raised concerns about reducing staffing levels in the districts and how this might impact on more vulnerable people and those with language barriers, especially as a result of the TNS programme and channel shift initiative.
The Forum stated more affordable housing was required to reflect local needs.



**6. Potential equality Impact**

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

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

| Protected characteristics | **Impact of proposal:** Describe the likely impact of the proposal on people because of their protected characteristic and how they may be affected. Why is this protected characteristic relevant to the proposal? How does the protected characteristic determine/shape the potential impact of the proposal? | **Risk of negative impact:** How likely is it that people with this protected characteristic will be negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected? | **Mitigating actions:** For negative impacts, what mitigating actions can be taken to reduce or remove this impact? These should be included in the action plan at the end of this EIA. |
|---|---|---|---|
| **Age**[1] | Minor impact that non urgent estate improvement and grounds maintenance work may be delayed or re-prioritised. | No age group will be proportionally impacted upon by this proposal<br><br>The current scheme is available to people over the age of 60. The level of impact will depend on the proposals made to change service delivery | Estate improvement work and grounds maintenance work is prioritised on the condition of an area and not based on an individual or group<br><br>Other organisations may provide low cost handy person services. Once proposals are developed a specific equality impact assessment should be completed to determine mitigating actions to reduce negative impacts. |
| **Disability**[2] | Minor impact that non urgent | No group will be proportionally | Estate improvement work and |

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

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

| | | | |
|---|---|---|---|
| | estate improvement and grounds maintenance work may be delayed or re-prioritised. | impacted upon by this proposal<br><br>The current scheme is available to people with a disability. The level of impact will depend on the proposals made to change service delivery | grounds maintenance work is prioritised on the condition of an area and not based on an individual or group<br><br>Other organisations may provide low cost handy person services. Once proposals are developed a specific equality impact assessment should be completed to determine mitigating actions to reduce negative impacts. |
| **Gender Reassignment[3]** | Minor impact that non urgent estate improvement and grounds maintenance work may be delayed or re-prioritised. | No group will be proportionally impacted upon by this proposal | Estate improvement work and grounds maintenance work is prioritised on the condition of an area and not based on an individual or group |
| **Marriage and Civil Partnership** | Minor impact that non urgent estate improvement and grounds maintenance work may be delayed or re-prioritised. | No group will be proportionally impacted upon by this proposal | Estate improvement work and grounds maintenance work is prioritised on the condition of an area and not based on an individual or group |
| **Pregnancy and Maternity** | Minor impact that non urgent estate improvement and grounds maintenance work may be delayed or re-prioritised. | No group will be proportionally impacted upon by this proposal | Estate improvement work and grounds maintenance work is prioritised on the condition of an area and not based on an |

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

| | | | |
|---|---|---|---|
| | | | individual or group |
| **Race**[4] | Minor impact that non urgent estate improvement and grounds maintenance work may be delayed or re-prioritised. | No group will be proportionally impacted upon by this proposal | Estate improvement work and grounds maintenance work is prioritised on the condition of an area and not based on an individual or group |
| **Religion or Belief**[5] | Minor impact that non urgent estate improvement and grounds maintenance work may be delayed or re-prioritised. | No group will be proportionally impacted upon by this proposal | Estate improvement work and grounds maintenance work is prioritised on the condition of an area and not based on an individual or group |
| **Sex**[6] | Minor impact that non urgent estate improvement and grounds maintenance work may be delayed or re-prioritised. | No group will be proportionally impacted upon by this proposal | Estate improvement work and grounds maintenance work is prioritised on the condition of an area and not based on an individual or group |
| **Sexual** | Minor impact that non urgent | No group will be proportionally | Estate improvement work and |

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

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

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

| | | | |
|---|---|---|---|
| **Orientation[7]** | estate improvement and grounds maintenance work may be delayed or re-prioritised. | impacted upon by this proposal | grounds maintenance work is prioritised on the condition of an area and not based on an individual or group |

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

All protected characteristics have been commented on because work to improve the environment of estates, including grounds maintenance will have an impact on all tenants. However, for these there is no disproportionate impact on any group. Work will continue to be prioritised on the condition of estates, irrespective of tenants living in our properties. There may be delays for non-urgent work and services but no particular group will be disadvantaged more than another. All urgent and priority services will continue to be provided.

Proposals for the Handy Person service have been referenced for the age and disability characteristic because these groups can currently access the service and may be impacted upon by changes to this.

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

| **Other groups** | **Impact of proposal:** Describe the likely impact of the proposal on children in poverty or any other people who we consider to be vulnerable. List any vulnerable groups likely to be affected. Will their needs continue | **Risk of negative impact:** How likely is it that this group of people will be negatively affected? How great will that impact be on their well-being? What will determine who will be negatively affected? | **Mitigating actions:** For negative impacts, what mitigating actions can be taken to reduce or remove this impact for this vulnerable group of people? These should be included in the action plan at the end of this EIA. |
|---|---|---|---|

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

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| | | | |
|---|---|---|---|
| | to be met? What issues will affect their take up of services/other opportunities that meet their needs/address inequalities they face? | | |
| **Children in poverty** | No impact | | |
| **Other vulnerable groups** | Homeless people may be impacted upon by the proposal to increase rents at the Dawn Centre and Border House | As the majority of people in temporary accommodation are in receipt of housing benefit it is unlikely that this will have a big impact. It will only impact on a very small number of people who are not in receipt of benefit | Support provided by staff at the Dawn Centre and Border House to provide financial advice to residents, support to maximise income and identify permanent, move on accommodation as quickly as possible. |
| **Other (describe)** | Council staff and some external organisations may be impacted upon by proposals to change internal processes and structures | It is likely that organisational reviews will need to take place to enable the changes in structures to take place | Full equality impact assessments will take place as part of the organisational review process, where these take place |

**7. Other sources of potential negative impacts**

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

The key negative impact to the service is the continued Government policy to reduce council rents by 1% up until 2020. This will mean that further savings will need to be identified in future budgets.

**8. Human Rights Implications**

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

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

**9. Monitoring Impact**

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

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

Monitoring systems in place include:

- Monitoring and analysing complaints received
- Feedback received from Tenants and Residents Associations and the Tenants’ and Leaseholders’ Forum

Progress on actions resulting from the equality impact assessment will be monitored and reviewed by the Senior Management Team within Housing.

**10. EIA action plan**

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

| Equality Outcome | Action | Officer Responsible | Completion date |
|---|---|---|---|
| Identify worsening situations for tenants as a result of the implementation of proposals | Analyse the monitoring information above to see if the proposals have had an impact on any particular group | Senior Management Team | Quarterly monitoring reports |

| | | | |
|---|---|---|---|
| Actions are progressed to mitigate the negative impacts that are associated with the budget proposals | Implement actions from associated equality impact assessments:<br>Homelessness Strategy<br>TNS<br>Channel shift initiative | Lee Warner<br>Channel shift project team | As per specific EIA<br>As per specific EIA |
| The equality impacts of organisational change are identified and mitigated | Specific equality impact assessments take place for organisational reviews resulting from the proposals | Heads of Service | Timescales to be set at the start of each specific organisational review |

**Human Rights Articles:**

**Part 1: The Convention Rights and Freedoms**

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

**Part 2: First Protocol**

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

## Profiling information – council tenants (known tenant breakdown)

### Breakdown by age band

| Age of Applicant | Number of Tenants | Percentage of Tenants |
|---|---|---|
| 0 to 17 | 3 | 0.01% |
| 18 to 19 | 47 | 0.23% |
| 20 to 29 | 1,583 | 7.64% |
| 30 to 39 | 3,995 | 19.29% |
| 40 to 49 | 4,351 | 21.01% |
| 50 to 59 | 4,077 | 19.69% |
| 60 to 69 | 3,076 | 14.85% |
| 70 to 79 | 2,143 | 10.35% |
| 80 to 90 | 1,153 | 5.57% |
| 90 and over | 283 | 1.36% |
| **Total** | **20,711** | **100%** |

### Breakdown by disability

| Disabled | Number of Tenants | Percentage of Tenants |
|---|---|---|
| Yes | 190 | 0.91% |
| No | 20,591 | 99.09% |
| **Total** | **20,781** | **100%** |

### Breakdown by ethnic origin

| Ethnicity | Number of Tenants | Percentage of Tenants |
|---|---|---|
| Asian | 2,474 | 14.85% |
| Black | 2,079 | 12.48% |
| Chinese | 22 | 0.13% |
| Mixed / Dual Heritage | 400 | 2.40% |
| White | 10,860 | 65.19% |
| Gypsy / Romany / Irish Trav | 17 | 0.10% |
| Other Ethnic Origin | 257 | 1.54% |
| Prefer not to say | 551 | 3.31% |
| **Total** | **16,660** | **100%** |

### Breakdown by religion

| Religion | Number of Tenants | Percentage of Tenants |
|---|---|---|
| Atheist | 221 | 2.81% |
| Buddhist | 1,779 | 22.64% |
| Christian | 1580 | 20.21% |
| Hindu | 266 | 3.38% |
| Jain | 2 | 0.02% |
| Jewish | 3 | 0.02% |
| Muslim | 1,300 | 16.55% |
| No Religion | 1,770 | 22.53% |
| Other | 268 | 3.35% |
| Prefer not to say | 609 | 7.75% |
| Sikh | 58 | 0.74% |
| **Total** | **7856** | **100%** |

## Breakdown by sexuality

| Sexuality | Number of Tenants | Percentage of Tenants |
|---|---|---|
| Bisexual | 117 | 1.87% |
| Gay female / lesbian | 29 | 0.46% |
| Gay male | 34 | 0.54% |
| Heterosexual / straight | 5,114 | 81.56% |
| Other | 151 | 2.41% |
| Prefer not to say | 825 | 13.16% |
| **Total** | **6270** | **100%** |

## Breakdown by Gender

| Gender | Number of Tenants | Percentage of Tenants |
|---|---|---|
| Male | 9,127 | 43.92% |
| Female | 11,649 | 56.02% |
| Prefer not to say | 2 | 0.00% |
| Transgender | 1 | 0.00% |
| **Total** | **20,779** | **100%** |

Leicester City Council

**Overview Select Committee** **Date: 1st February 2018**
**Council** **Date: 21st February 2018**

## Treasury Management Strategy 2018/19

**Report of the Director of Finance**

### 1. Purpose of Report

1.1 This report proposes a strategy for managing the Council's borrowing and cash balances during 2018/19 and for the remainder of 2017/18. (This is the treasury management strategy).

### 2. Summary

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

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

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

### 3. Recommendations

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

## 4. **Borrowing**

4.1 As of 12th December 2017, the Council had a total debt of £261m. £135m has been borrowed from the Public Works Loans Board (a Government quango), and £126m from the financial markets.

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

4.3 The Government no longer does this, choosing instead to support our capital programme by means of capital grants (i.e. lump sums). Consequently, our debt levels are largely static, until individual loans are due for repayment. As most of our debt is long term, with repayments due 36 to 65 years from now, we might expect to see little change in this level of debt.

4.4 Early repayment of debt used to be a tool at our disposal, but government rule changes made this prohibitively expensive for PWLB debt. However, there is now a possibility of negotiating early repayment of some financial market debt.

4.5 This, together with the fact that cash balances are declining faster than expected (due in part to our budget position), means that we may need more money to be immediately available than we will have. This is because a lot of our cash investments are invested for longer periods to earn more interest. This is not a problem – it simply means we will need to borrow short term until these investments are returned to us.

4.6 Best practice requires the Council to set certain limits on borrowing, and these are provided at Appendix A. As a consequence of the above, our proposed borrowing limits provide for much higher levels of short term borrowing than the 2017/18 strategy. The limits proposed will cover any peak requirements for cash.

## 5. **Investments**

5.1 The effort involved in treasury management now revolves almost solely around management of our cash balances. These fluctuate during the course of a year, and range from £160m to £230m dependent on circumstances (e.g. closeness to employees' pay day). During 2018/19, is it likely that these cash balances will decline although it is not possible to forecast the reduction as this will be determined by decisions yet to be made.

5.2 There are three reasons for the level of investments:-

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

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

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

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

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

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

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

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

5.5 The world economic situation has improved since 2008, but risks remain. There are financial and economic risks in the Euro Zone (some economies are in difficulty, and so are some countries' banks), and we do not yet know the impact of Brexit.

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

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

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

5.9 In respect of **return**, bank base rates are at 0.5%, and our advisors believe that they will remain extremely low for two years at least.

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

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

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

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

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

(d) We will place some money with pooled investments, such as money market funds. These are professionally managed funds, which place money in a range of financial assets, some based overseas. This helps achieve diversification. In cases where money is not secured, we will make sure funds can be returned very quickly;

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

5.12 In addition to the above, we will invest up to £30M in commercial property funds. These are pooled investments similar to "unit trusts". This continues the current strategy, with a higher maximum amount. Such funds are expected to pay dividends at a rate of 4% to 4.5%, which exceeds current cash returns of around 0.5%. However, with such funds there is always a risk that values will decrease. At the time of writing this report, investments of £15M authorised by the 2017/18 strategy are planned with an initial £5M investment planned for February or March 2018.

5.13 The Treasury Strategy continues the policy of investing in projects which benefit the local economy, and permits the use of up to £20m for the Local Investment Fund. We are also permitted to invest up to £10m in individual commercial property purchases (locally) and £20m in "new opportunities".

5.14 Use of property funds and other funds help us to reduce our reliance on cash investments as the sole means of achieving returns, but also introduce greater risk: such investments can lose value as well as make returns. The City Mayor may also, from time to time and in line with normal approvals, spend money on capital schemes which are expected to achieve returns greater than can be expected from investment of cash balances.

5.15 The premature repayment of existing debts would also reduce the level of cash balances (and consequently our exposure to the financial markets).

## 6. **Regulatory Changes**

6.1 At the time of drafting this report, consultations are taking place on the governance framework for treasury management. These are the responsibility of CIPFA and the DCLG, and arise in part because of some authorities very substantial investments in individual property assets. This has caused concern at the Treasury, particularly when investment takes place outside of an authority's own area.

6.2 These new proposals will extend the scope of this strategy to cover information in respect of investments which are not part of day to day treasury management (which primarily focuses on making the best use of cash balances). In particular the proposals focus on direct investment in properties, loans for the purposes of economic development (or other service reasons) and loan guarantees. We will be required to prepare summary statements which identify the benefits and risks of such "investments" and state how we manage these.

6.3 Once these are finalised we shall update our Treasury Policy document (the document that specifies the way in which we manage loans and investments). We are also required to produce a new document describing our strategy for capital investment. We may also need to make some changes to the Treasury Strategy (this document) but it is expected that any such changes will be technical in nature and will not change the substance of what is proposed within this report.

## 7. **Credit Rating Requirements for Investments**

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

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

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

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

## 8. Premature Repayment of Debt

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

8.2 The reasons why our debt has 36 to 65 years to run are historic, and reflect past circumstances and government policies at that time. In current circumstances, we would prefer a more even spread of repayment dates, and may use premature repayment to achieve this if possible. Another option is to repay using our cash balances.

8.3 There is a possibility that an existing lender of financial market loans may agree to their premature repayment on favourable terms. Indications are that this would be cost neutral or generate revenue savings.

## 9. Treasury Management Advisors

9.1 The Council employs Arlingclose as treasury advisors. Their performance has been good.

## 10. Leasing

10.1 We do not use leasing as a method of financing, preferring instead to use our cash balances.

## 11. Financial and Legal Implications

11.1 The proposals are in accordance with the Council's statutory duties under the Local Government Act 2003 and statutory guidance, and comply with the CIPFA Code of Practice on Treasury Management. In accordance with the Council's constitution (Article 4.03), the strategy requires full Council approval.

## 12. Background Papers

12.1 None.

## 13. Author

David Janes – 0116 454-4058
Mark Noble – 0116 454-4041

**Appendix A**

**Treasury Limits for 2018/2019**

1. The treasury strategy includes a number of prudential indicators required by CIPFA's Prudential Code for capital finance, the purpose of which is to ensure that treasury management decisions are affordable and prudent. The recommended indicators and limits are shown below. One of these indicators, the "authorised limit" (para 3 below), is a statutory limit under the Local Government Act 2003. We are not allowed to borrow more than this.

2. The first indicator is that over the medium-term net borrowing will only be for capital purposes – i.e. net borrowing should not, except in the short-term, exceed the underlying need to borrow for capital purposes (the "capital financing requirement").

3. The authorised limits recommended for 2018/19 (and the remainder of 2017/18) are:-

| | New £m | Previous £m |
|---|---:|---:|
| Borrowing | 455 | 280 |
| Other forms of liability | 145 | 145 |
| Total | 600 | 425 |

4. The borrowing total includes a provison of up to £225M for temporary loans to be repaid as investments mature. "Other forms of liability" relates to loan instruments in respect of PFI schemes and to pre-unitary status debt managed by the County Council (and charged to the Council).

5. The Council is also required to set an "operational boundary" on borrowing which requires a subsequent report to scrutiny committee if exceeded. The approved limits recommended for 2018/19 are:

| | £m |
|---|---:|
| Borrowing | 305 |
| Other forms of liability | 145 |
| Total | 450 |

6. The limit proposed is based on our general day to day situation. The limit is not absolute, but breach of the limit is intended to act as a warning signal to ensure appropriate scrutiny. Given that large amounts of temporary borrowing may be undertaken, this limit may well be breached in 2018/19: this is not a cause for concern as this will happen on a planned (and temporary) basis. Nonetheless, we will explain this to OSC if it does happen.

7. Recommended upper limits on fixed and variable rate debt exposures are shown in the table below. The figures shown are the principal sums outstanding on "borrowing". As with the authorised limit, figures include a large provision for temporary loans.

| | £m |
|---|---|
| Fixed interest rate loans | 240 |
| Variable interest rate loans and short term loans. | 225 |

8. The Council has also to set upper and lower limits for the remaining length of outstanding loans that are fixed rate. This table also excludes other forms of liability. Recommended limits are:

Upper Limit

| | **£M** |
|---|---|
| Under 12 months | 225 |
| 12 months and within 24 months | 80 |
| 24 months and within 5 years | 140 |
| 5 years and within 10 years | 140 |
| 10 years and within 25 years | 240 |
| 25 years and over | 240 |

We would not normally borrow for periods in excess of 50 years.

Lower Limit

| | **£M** |
|---|---|
| Less than 5 years | 0 |
| Over 5 years | 130 |

9. During the remainder of 2017/18 and in 2018/19 the premature repayment of loans, investment in property funds, expenditure on capital projects and reduction in reserves may make significant calls on the cash balances of the authority. The pace of these cash demands may outpace cash from the maturing investments with any gap being met by temporary borrowing. We shall aim to ensure that our cash investments cover estimated payments less receipts over a rolling two month period, plus £20M held on call or at short notice. These are guidelines and decisions will be made in the light of circumstances.

10. The Council is required by statutory guidance to set a limit on those investments which are not “specified investments” and to specify what it means by this term. Specified investments are the most liquid, short dated and highest credit rated of investments and non-specified investments are the remainder. Specified investments have to be repaid within 12 months of the time they are agreed and must be invested with the UK government, a UK local authority or a body or pooled investment of high credit quality, which we define as having a credit rating of BBB+ or higher. In practice this means that no more than £120m will be held in investments in excess of 366 days, including investments which can be sold at shorter notice but where the intention is to hold the investment for a period in excess of 366 days. In practice the appropriate level of investments for periods in excess of 366 days will decline as cash balances are run down.

**Appendix B**

## Annual Investment Strategy 2018/19

1. **Introduction**

1.1 This investment strategy complies with the DCLG's Guidance on Local Government Investments and CIPFA's Code of Practice as at 12th December 2017.

1.2 The Investment Strategy states which investments the Council may use for the prudent management of its treasury balances. It also identifies other measures to ensure the prudent management of investments.

1.3 It does not cover the use of investments for local economic projects for which separate policies will be prepared. For example, £20m may be invested in a Local Investment Fund. A decision published in February 2017 also created a £10m fund for investing in commercial property, and £20m for "new opportunities". The City Mayor may also, from time to time and in line with normal approvals, spend money on capital schemes which are expected to achieve returns greater than can be expected from investment of cash balances.

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2. **Investment Objectives & Authorised Investments**

2.1 All investments will be in sterling.

2.2 The Council's investment priorities are:

(a) The **security** of capital; and

(b) **Liquidity** of its investments.

2.3 The Council will aim to achieve the **optimum return** on its investments commensurate with the proper levels of security and liquidity.

2.4 The following part of this appendix specifies how the Council may invest, with whom and the credit worthiness requirements to be applied.

## 3. Approved Investments

| **3.1 UK Banking Sector: Credit Rated Institutions** | | | |
|---|---|---|---|
| Type | **Description** | **Investment Period** | **Controls** |
| General | Covers the largest UK banks and building societies.<br><br>Covers non-UK banks operating in the UK and regulated in the UK. | | No more that £100M will be invested in total with these institutions.<br><br>Other than our bankers (Barclays) no more than £20m will be invested with one institution of which no more than £10m will be unsecured.<br><br>£25m may be lent to Barclays, of which no more than £15m will be unsecured.<br><br>New bodies will not be added to the list without the written approval of the Director of Finance.<br><br>In addition investments may be committed in advance by up 10 working days. |
| Unsecured deposits | Banks regulated within the UK. | Maximum 366 days. | A list of approved counterparties will be maintained, based on credit ratings. Principally, we use Fitch.<br><br>Minimum ratings as below. Other market intelligence will also be considered. |
| | | Up to 366 days. | Long-term rating of A & short term rating of F1 |
| | | Up to 6 months. | Long-term rating of A- & short term rating of F2 |
| | | 100 days or less. | Long-term rating of BBB+ & short term rating of F2 |

| | | | |
|---|---|---|---|
| Covered Bonds | This is a deposit with a bank or building society, which is secured on assets such as mortgages. These assets are not immediately saleable but the value of the assets exceeds loans secured upon them.<br>If the deposit is not repaid the assets are sold and the proceeds used to repay the loan. | Maximum 5 years. | Bond is regulated under UK law and majority of assets given as security are UK based.<br><br>Minimum long-term rating of AA- . |
| Reverse REPOs | This is a deposit with a bank, which is secured on bonds and other readily saleable investments and which will be sold if the deposit it not repaid. | Maximum 1 year. | Judgement that the security is equivalent, or better than the credit worthiness of unsecured deposits.<br><br>REPO/Reverse REPO is accepted as a form of collateralised lending and should be based on the GMRA 2000 (Global Master REPO Agreement) or a successor agreement. Should the counterparty not meet our senior unsecured rating then a 102% collateralisation would be required.<br><br>The acceptable collateral is as follows:-<br><br>• Index linked Gilts<br>• Conventional Gilts<br>• UK Treasury bills<br>• DBV (Delivery By Value)<br>• Corporate bonds |

| 3.2 Unrated Building Societies | | | |
|---|---|---|---|
| **Type** | **Description** | **Investment Period** | **Controls** |
| General | Smaller building societies who do not have credit ratings. Many are mutually owned. | Up to 6 months. | No more that £10M will be invested in total with these institutions.<br><br>No more that £2M will be invested with any one institution.<br><br>Of this £2M no more than £1M will be unsecured.<br><br>New bodies will not be added to the list without the written approval of the Director of Finance.<br><br>A list of approved counterparties will be maintained.<br><br>This will be based upon an analysis of the financial strength of the institution by our Treasury Advisers.<br><br>Investments committed in advance will not count against these limits provided that commitment is no more than 3 working days in advance of the actual investment. |

| 3.3 UK Public Sector & Quasi Public Sector | | | |
|---|---|---|---|
| **Type** | **Description** | **Investment Period** | **Controls** |
| General | The UK Government and UK local authorities, including Transport for London (TFL), and bonds issued by the Local Government Bond Agency.<br><br>It also includes bodies that are very closely linked to the UK Government or to local government such as Cross Rail or National Grid. | | No more than £200M to be lent to local authorities (as defined in the first column). No more than £20M to be lent to any one local authority.<br><br>No more than £40M to be lent to bodies very closely linked to the UK Government and no more than £20M to be lent to any one body.<br><br>No limit on amounts lent to the UK Government.<br><br>In addition, investments may be committed in advance by up 10 working days. |
| Deposits | Deposits with Local Authorities and the UK Government. | Up to 5 years. | Our judgement is that local authorities are of high credit worthiness and that the law provides a robust framework to ensure that all treasury loans are repaid. However, should the occasion arise, we would have regard to adverse news or other intelligence regarding the financial standing of a local authority. |
| Bonds – Local Authority | Bonds issued by local authorities. | Up to 5 years. | |
| Bonds – Municipal Bond Agency | Bonds issued by local authorities collectively through the Local Government Bond Agency. | Up to 5 years. | Minimum AA- credit rating.<br><br>The agency is new and until established the number of underlying borrowing local authorities will be low. When investing with the agency we will look at the underlying exposure to individual authorities when these are material and take into account existing exposures to those authorities. |
| Bonds – Bodies Closely Linked to UK Government | | Up to 5 years. | Minimum AA- credit rating.<br><br>Approval by Director of Finance to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors. |

| 3.4 International Development Banks | | | |
|---|---|---|---|
| **Type** | **Description** | **Investment Period** | **Controls** |
| Bonds | International Development Banks which are backed by the governments of the world's largest and strongest economies. The funding obligations are established by treaties or other binding legal agreements. | Up to 5 years. | No more than £40M to be lent in total and no more than £10M to be lent to any one bank.<br><br>Approval by Director of Finance, in consultation with the City Mayor, to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors.<br><br>A minimum credit rating of AA- plus backing of one or more G7 country. |

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| 3.5. Pooled Investments – Shorter Dated Investments | | | |
|---|---|---|---|
| **Type** | **Description** | **Investment Period** | **Controls** |
| General | A structure where a wide base of investors share a common pool of investments.<br><br>The most common legal form involves an intermediate company. The company has legal title to a pool of investments. The underlying investors own the company with a claim to their share of the assets proportional to their investment in the company. | | We will only invest in funds where there is evidence of a high level of competence in the management of the investments, and which are regulated.<br><br>Approval by Director of Finance to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors.<br><br>The investment period will reflect advice from our Treasury Advisors on a fund by fund basis.<br><br>We will be alert to "red flags" and especially investments that appear to promise excessive returns.<br><br>We look for diversification away from the banks permitted elsewhere in this lending list (though some overlap is unavoidable).<br><br>No more than £120M to be invested in all fund types listed in this table. |
| Money market funds | The underlying pool of investments consists of interest paying investments, for example deposits. The underlying borrowers include banks, other financial institutions and non-financial institutions of good credit worthiness. Banks may be UK or overseas. | Must have immediate access to funds. | Fitch rating of AAAmmf (or equivalent).<br><br>No more than £20M in any one fund. |
| Short Dated Government Bond Funds | Similar to money market funds but mainly concentrated in highly credit rated government bonds. | Must have immediate access to funds. | Whilst these are very safe the interest returned is very low. We may use these in times of market turmoil.<br><br>Fitch rating of AAAf (or equivalent).<br><br>No more than £20M in any one fund. |

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| | | | |
|---|---|---|---|
| Money market plus funds / cash plus funds / Short dated bond funds | Similar to money market funds but the underlying investments have a longer repayment maturity. We would use these to secure higher returns. | Must have access with one month's notice but normally would wish to hold for 12-18 months. | Fitch rating of AAf (or equivalent).<br><br>No more than £20M in any one fund.<br><br>We will "drip feed" money that we invest rather than investing it all at once. |

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| 3.6. Pooled Investments – Longer Dated Investments | | | |
|---|---|---|---|
| **Type** | **Description** | **Investment Period** | **Controls** |
| General | A structure where a wide base of investors share a common pool of investments.<br><br>The most common legal form involves an intermediate company. The company has legal title to a pool of investments. The underlying investors own the company with a claim to their share of the assets proportional to their investment in the company.<br><br>Other legal structures will be considered.<br><br>Longer dated investments expose us to the risk of a decline in value, but also provide an opportunity to achieve higher returns.<br><br>Consequently, controls involve both the personal authorisation of the Director of Finance and consultation with the City Mayor. | | We will only invest in funds where there is evidence of a high level of competence in the management of the investments, including, where relevant, how the fund is regulated.<br><br>The investment period will reflect advice from our Treasury Advisors on a fund by fund basis.<br><br>We will be alert to “red flags” and especially investments that appear to promise excessive returns.<br><br>We will “drip feed” money that we invest rather than investing it all at once.<br><br>We look for diversification away from the banks permitted elsewhere in this lending list (though some overlap is unavoidable).<br><br>No more than £50m to be invested in all fund types listed in this table. |
| Property Funds | The underlying investments are mainly direct holdings in property, but our investment is in a pool of properties.<br><br>Whilst the fund normally has a small cash balance from which to fund redemptions the bulk of the fund is held in direct property investments. On occasions redemptions will not be possible until a property has been sold.<br>Funds may have the power to borrow. | Generally have access with three months’ notice but normally would wish to hold for five years. | No more than £30M to be invested in property funds.<br><br>Investment amounts and timing to be approved by the Director of Finance, in consultation with the City Mayor. |

| | | | |
|---|---|---|---|
| Longer-dated Bond Funds. | Similar to money market funds but the underlying investments are now mainly bonds with an average maturity of up to 8 years. | Must have access with one month's notice but normally would wish to hold for two to three years. | Fitch rating of AAf (or equivalent).<br><br>Approval by Director of Finance, in consultation with the City Mayor, to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors.<br><br>No more than £10M to be invested in any one fund. |
| Asset Based Securities | The base investments are "securitised investments" which pool consumer debt (mortgages, car loans and credit cards) and loans to small businesses.<br><br>The base investments are loans to borrowers of good credit worthiness. They are a world away from the "sub-prime" investments that led to the 2008 crash.<br><br>The investment we would make would be in a pooled investment containing a number of such securitised investments.<br><br>They are normally issued by banks (UK or overseas). | Must have access with one month's notice but normally would wish to hold for two to three years. | Fitch rating of AAf (or equivalent).<br><br>We look for particularly strong evidence of expertise both from the organisations that issue the securitised investments and also from the managers of the pooled fund. We look for clear evidence of financial and operational independence between the fund managers and the banks that made the consumer loans in the first place.<br><br>Approval by Director of Finance, in consultation with the City Mayor, to the body being added to the lending list on the basis of a written case, including advice from the Council's treasury advisors.<br><br>No more than £10M to be invested in any one fund. |

Leicester
City Council

DRAFT MINUTE EXTRACT

Minutes of the Meeting of the
OVERVIEW SELECT COMMITTEE

Held: THURSDAY, 1 FEBRUARY 2018 at 5:30 pm

PRESENT:

Councillor Singh (Chair)

Councillor Cank
Councillor Cleaver
Councillor Cutkelvin
Councillor Gugnani
Councillor Khote
Councillor Dr Moore
Councillor Porter
Councillor Unsworth

Also present:

Sir Peter Soulsby — City Mayor

*** ** ***

**62. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Govind and Councillor Grant.

Councillor Newcombe had also submitted his apologies. Councillor Cleaver was his substitute for the meeting.

**63. DECLARATIONS OF INTEREST**

No declarations of interest were made.

**72. TREASURY MANAGEMENT STRATEGY 2018/19**

The Director of Finance submitted a report that proposed a strategy for managing the Council's borrowing and cash balances during 2018/19 and for the remainder of 2017/18.

The Chair introduced the report and stated that Treasury Management Strategy was a well-established strategy which had proved to be robust and effective.

AGREED:
that the Treasury Management Strategy 2018/19 be noted.