
Capital Programme 2022/23

Decision to be taken by: Council

Date of meeting: 23rd February 2022

Lead director: Colin Sharpe, Deputy Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Ben Matthews
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- Report version number: 1.0

1. Summary

- 1.1 The purpose of this report is to ask the Council to approve a capital programme for 2022/23.
- 1.2 Capital expenditure is incurred on works of lasting benefit and is principally paid for by grant, tenants' rents, and the proceeds of asset sales (capital receipts). Money can also be borrowed for capital purposes, but the scope for this is limited as borrowing affects the revenue budget.
- 1.3 Traditionally, the Council has prepared a multi-year capital programme but for 2020/21 and 2021/22 we set a one year programme due to uncertainty over future resources. There continued to be uncertainty during the period in which we prepared this programme, and we did not know what grant to expect, either in 22/23 or beyond. The COVID-19 pandemic also added uncertainty, creating significant slippage on our recent programmes. We are therefore presenting another one year programme. Schemes already approved and in the current programme for 2021/22 will continue to form part of the programme.
- 1.4 The proposed schemes set out in this report for the "General Fund" element of the capital programme will cost £56m. In addition to this, the HRA capital programme (which is elsewhere on your agenda) includes works estimated at £117m, £100m of which relates to the affordable homes programme.
- 1.5 The table below summarises the proposed spending for capital schemes starting in 2022/23, as described in this report:-

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

Funding

Monies ringfenced to Schemes	12.6
Unringfenced Resources	43.1
Total Resources	55.7

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

	<u>£m</u>
General Fund	55.7
Housing Revenue Account	117.5
Total	173.2

- 1.7 In addition to the above, the current programme is still being delivered and therefore a number of significant schemes will continue to spend in future years.
- 1.8 The Council's total capital expenditure now forecast for 2022/23 and beyond is expected to be around £300m, including the HRA.
- 1.9 The Council continues to bid for significant sums from government initiatives and has been extremely successful at the end of 2020/21 and during 2021/22. Examples include:
- Receiving £24m in Government Grant for the funding of energy efficiency technology on the Council's estate.
 - Being successful in "levelling up" grant bids towards Pioneer Park, Pilot House and the Railway Station, that will bring a total investment on these schemes of £59m.
 - Awarded £19m in Government Grant towards the purchase of 96 electric buses and their associated charging infrastructure, with there also being substantial operator contributions to the scheme.
- 1.10 The capital programme is split into two parts:-
- (a) Schemes which are "**immediate starts**", being schemes which directors have authority to commence once the council has approved the programme. These are fully described in this report;
 - (b) Schemes which are "**policy provisions**", where the purpose of the funding is described but money will not be released until specific spending proposals have been approved by the Executive.

1.11 Immediate starts have been split into three categories:-

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

2. Recommendations

2.1 The Council is asked to:-

- (a) Approve the capital programme described in this report and summarised at Appendices Two to Six, subject to any amendments proposed by the City Mayor;
- (b) For those schemes designated immediate starts, delegate authority to the lead director to commit expenditure, subject to the normal requirements of contract procedure rules, rules concerning land acquisition and finance procedure rules;
- (c) Delegate authority to the City Mayor to determine a plan of spending for each policy provision, and to commit expenditure up to the maximum available;
- (d) For the purposes of finance procedure rules:
 - Determine that service resources shall consist of service revenue contributions; HRA revenue contributions; and government grants/third party contributions ringfenced for specific purposes (but see below for LLEP investment programmes);
 - Designate the operational estate capital maintenance programme, highways maintenance programme and transport improvement programme as programme areas, within which the director can reallocate resources to meet operational requirements.

- (e) As in previous years, delegate to the City Mayor:
- Authority to increase any scheme in the programme, or add a new scheme to the programme, subject to a maximum of £10m corporate resources in each instance;
 - Authority to reduce or delete any capital scheme, subject to a maximum of 20% of scheme value for “immediate starts”; and
 - Authority to transfer any “policy provision” to the “immediate starts” category.
- (f) In respect of Government investment programmes for which the Council receives grant as the accountable body to the Leicester and Leicestershire Enterprise Partnership (LLEP):-
- Delegate to the City Mayor approval to accept Government offers of funding, and to add this to the capital programme;
 - Delegate to the Strategic Director, City Development and Neighbourhoods, in consultation with the Director of Finance, authority to allocate the funding to individual schemes (in effect, implementing decisions of the LLEP);
 - Agree that City Council schemes funded by the programme can only commence after the City Mayor has given approval;
 - Delegate to the Director of Finance authority to reallocate programme funding between schemes, if permissible, to ensure the programme as a whole can be delivered; and
 - Note that City Council contributions to schemes will follow the normal rules described above (i.e. nothing in this paragraph permits the City Mayor to supplement the programme with City Council resources outside of normal rules).
- (g) Delegate to directors, in consultation with the relevant deputy/assistant mayor, authority to incur expenditure in respect of policy provisions on design and other professional fees and preparatory studies, but not any other type of expenditure;
- (h) Approve the capital strategy at Appendix 7.

3. Proposed Programme

Key Policy Issues

- 3.1 In preparing the 2022/23 capital programme, similar to previous years the key focus is to deliver strategic objectives and meet (as far as possible) a level of need which considerably exceeds the level of resources the Council has available.
- 3.2 The resulting capital programme is primarily focussed around some key pledges of the Council. The key pledges are:
- A fair city
 - Connecting Leicester
 - Homes for all
 - Lifelong learning
 - A city to enjoy
- 3.3 The capital programme for 2022/23 is a one year programme for the reasons stated above. Nonetheless, it complements the existing programme and explicitly aims to support the City Mayor's delivery plan.
- 3.4 When the outturn for 2020/21 was approved, sums were set aside to assist with the aftermath of the pandemic. This included £20m set aside for potential match funding for "levelling up" schemes and a further £10m for schemes supporting recovery. In the event, our levelling up grant application to the Government was wholly successful, but will only require half of the £20m set aside. The remainder is available to support the capital programme. Some of the recovery monies are being utilised for schemes in this programme, such as assisting retail and to support New Ways of Working within the Council. This is further detailed in the financial implications to this report.
- 3.5 It is important to note that the council's commitment to tackling the climate emergency is most obviously but not exclusively addressed within the Connecting Leicester and the Transport Improvement Works Programmes.
- 3.6 However, addressing the energy and bio-diversity requirements of all our capital projects is central to the entire capital programme. Recent years' capital projects have included energy saving and generating elements across the corporate estate, as well as a raft of energy efficiency measures in our schools and on our housing estates. The Council is currently working to obtain further government grant funding to expand such schemes.
- 3.7 Similarly, our commitment to invest in the whole city cuts right across our capital programme. The housing, children's and transport capital

investment programmes represent the largest components of this and likely future capital programmes. These capital investment strands will benefit the entire city from our outer estates to the city centre.

Resources

- 3.8 Resources available to the programme consist primarily of Government grant and capital receipts (the HRA programme is also supported by tenants' rent monies). Most grant is unringfenced, and the Council can spend it on any purpose it sees fit.
- 3.9 Appendix One presents the unringfenced resources available to fund the proposed programme, which total some £43m. The key funding sources are detailed below.
- (a) £5.8m of general capital receipts and £0.7m of Right to Buy Receipts;
 - (b) £13.6m of unringfenced grant funding;
 - (c) £10.4m of Earmarked Reserves set aside to support schemes in the Levelling Up programme, which are surplus to requirement, as a result of being successful in the bid for government grant.
 - (d) £12.5m of monies we already have, primarily from savings achieved in previous programmes. This figure is net of £0.94m which will be used to support phase 2 of the Leisure Centre Capital Programme in line with a decision on 27th October 2021.
- 3.10 The Council has a policy of not committing capital receipts until they are received. This increases the resilience of the capital programme at a time when revenue budgets are under severe pressure. £5.8m of general capital receipts are available for 2022/23 based on receipts received or due at the time of writing. Subsequent receipts will be available to fund the 2023/24 programme.
- 3.11 The exception to not committing receipts in advance is the expected receipts from the sale of council housing. Where tenants exercise their "Right to Buy" the RTB receipts are layered, with different layers being available for different purposes. A sum of £0.7m will be available for general purposes: this is predictable. Further tranches are available to us but must be used for new affordable housing or returned to the government.
- 3.12 For some schemes the amount of unringfenced resources required is less than the gross cost of the scheme. This is because resources are ringfenced directly to individual schemes. Ringfenced resources are shown throughout Appendix Two and include the following:
- (a) Other grants and match funding, such as government grant and contributions made to support the delivery of specific schemes;

- (b) Borrowing. Because borrowing has an impact on the revenue budget, it is only used for reasons detailed in capital strategy at Appendix 7 of this report;
- (c) Earmarked reserves, such as the Covid Recovery Reserve and the Transformation Fund

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

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

Proposed Programme – Immediate Starts

3.15 Schemes classified as immediate starts can commence as soon as required, once the Council has approved the capital programme. No further approval is necessary. The whole programme is summarised at Appendix 2. Responsibility for the majority of projects rests with the Strategic Director of City Development and Neighbourhoods. The exceptions are the children's homes refurbishments and the Children's Capital Improvement Programme which are the responsibility of the Strategic Director of Social Care and Education.

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

- (a) £252,000 is provided to replace the Air Handling Units at the **African Caribbean Centre Ventilation**. The new system will be more efficient, cost effective and would provide suitable ventilation throughout the building.
- (b) £680,000 is provided to support the **Changing Places – Disabled Toilet Facilities** scheme. The Council is contributing £200,000 as match funding and is expecting to receive £480,000 in government grant. The project focusses on provision of larger accessible toilets for severely disabled individuals, with equipment such as hoists, privacy screens, adult-sized changing benches, peninsula toilets and space for carers.

- (c) £1m is provided for the **Malcolm Arcade Refurbishment** to create a lighter more vibrant atmosphere with the intention to entice new businesses and customers. Refurbishment works will include a roof replacement, which will help to reduce maintenance costs and ensure the building is watertight. Other works will be updates to the floors, walls, staircase, lighting, doors and windows.
- (d) £400,000 is provided for **Feasibility Studies**. This will enable studies to be done, typically for potential developments not included elsewhere in the programme or which might attract grant support, without requiring further decisions.
- (e) £3.8m has been provided to support the annual **Operational Estate Capital Maintenance Programme**. This will support works to the properties the Council uses. This is a rolling annual programme and spending is prioritised to reflect asset condition and risk. The proposed programme is shown at Appendix 4, but may vary to meet emerging operational requirements.

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

- (a) £100,000 is provided in 2022/23 to continue the programme of **Repayable Home Repair Loans**. These grants aid vulnerable, low income home owners to carry out repairs or improvements to their homes, to bring properties up to decent home standards. Any loan will remain in place until a change of ownership or sale of the property, after which repayment of the loan is required.
- (b) £1.9m has been provided for **Disabled Facilities Grants** to private sector householders. This is an annual programme which has existed for many years. These grants provide funding to eligible disabled people for adaption work to their homes, and help them maintain their independence.
- (c) £3.4m has been made available to fund the annual **Fleet Replacement Programme** as part of a rolling programme. This programme is funded from borrowing, which is repaid from existing budgets.
- (d) £50,000 continues to be made available to top up **the Long Term Empty Home Acquisitions** pot in 2022/23. The Empty Homes Team gives advice and assistance to owners, helping them bring homes back into occupation. As a last resort, when all avenues have been exhausted, we have to use compulsory purchase. £50,000 covers the incidental costs associated with acquisition where CPO or negotiated purchase is required, where such costs cannot be recouped from the sale proceeds.

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

- (a) £592,000 is provided for the **Library Self-Access Rollout** scheme encompassing nine Leicester libraries, to enable customers to access library facilities outside of staffed hours. The rollout follows on from the pilot project implemented during 2021/22 at two libraries. The scheme is being funded by the transformation fund earmarked reserve.
- (b) £200,000 is provided for **Grounds Maintenance Equipment** to replace ageing machinery with up to date, energy efficient models to provide continued maintenance of our parks and open spaces. The replacement of this equipment is met from borrowing, and a revenue budget exists for this purpose.

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

- (a) £4m is provided for the **Connecting Leicester** scheme to support the continuation and expansion of the City Mayor's programme to enhance the city centre and local centres through improvements to public realm and accessibility by modes other than use of private cars. A work programme will be determined in due course and the priority areas are as follows: St Martin's; Queens Road; Granby Street; Braunstone Gate.
- (b) £100,000 has been provided for the **Front Walls Enveloping Scheme** and is a continuation of previous schemes. It involves the enclosure of small spaces in front of housing. Enveloping schemes can make a significant improvement to local neighbourhoods and enable occupiers to tend house fronts more effectively.
- (c) £250,000 is included as part of the continued rolling programme to replace **Festive Decorations**. This is a higher than usual amount in order to make a step improvement in displays, which will assist economic recovery. It will be funded from the covid recovery reserve.
- (d) £300,000 is provided to continue the **Flood Risk Prevention** scheme into 2022/23. The programme supports the Local Flood Risk Management Strategy and action plan, and the delivery of our statutory role to manage and reduce flood risk in collaboration with the Environment Agency & Severn Trent Water.
- (e) £400,000 has been provided for **Local Environmental Works** in wards. This scheme will focus on local neighbourhood issues including residential parking, local safety concerns, pedestrian

routes, cycle ways and community lighting to be delivered after consultation with ward members.

- (f) £1.6m is provided for **Strategic Sites Development** to continue with the Council's ongoing development programme and commitment to creating more homes. The sites included are Ashton Green, Western Park Golf Course and Land at Beaumont Park. This programme will enable the continuation of strategic plans for development of key sites for future homes to be built. This programme will initially be funded from prudential borrowing and repaid with future capital receipts that it generates.
- (g) £2.2m is provided as part of the continued **Highway Capital Maintenance Programme**. This is a rolling annual programme and spending is prioritised to reflect asset condition, risk and local neighbourhood priorities. The proposed programme is shown at Appendix 5. £50,000 has also been included to continue the successful street branding programme.
- (h) £2.6m is provided in 2022/23 to continue the rolling programme of works constituting the **Transport Improvement Programme**. Some of the priority areas include:
 - Delivering cross cutting cycling, walking and public transport benefits.
 - Local safety schemes
 - 20mph schemes in Neighbourhoods
 - Delivery of the Local Transport Plan

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

- (a) £300,000 is provided for the **Ugandan Asians – 50 Year Anniversary Commemoration** for commemorative works (to be determined after consultation with the local community) to celebrate the contributions of Ugandan Indians who first arrived in the UK 50 years ago.
- (b) £850,000 is provided for **Retail and Shop Front Improvements**. The funds will enable the continuation of the retail area improvement scheme. The scheme will continue with the provision of grants such as shop front grants to business to support business growth and café seating grants to increase footfall in the city Centre and neighbourhoods. Furthermore, improvements will also entail enhancing retail areas through new paving, bollards, landscaping, roofing, and shop fronts. It will be funded from the covid recovery reserve.

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

- (a) £850,000 is provided for **Children's Homes Refurbishments** at the following Children's Homes: Barnes Heath House, Dunblane Avenue and Wigston Lane. Works will include a ground floor extension at Barnes Heath House, the refurbishment of kitchens and bathrooms and increasing storage space.
- (b) £7.5m has been provided to continue with the **Children's Capital Improvements Programme** within our schools. The programme will include routine maintenance in our schools and spending is prioritised to reflect asset condition and risk. This will be a 2 year programme to allow for better forward planning. The proposed programme is shown at Appendix 6: detailed schemes will be developed following consultation with schools.

Proposed Programme – Policy Provisions

3.22 Policy provisions are sums of money which are included in the programme for a stated purpose, but for which a further report to the Executive (and decision notice) is required before they can be spent. Schemes are usually treated as policy provisions because the Executive needs to see more detailed spending plans before full approval can be given.

3.23 Executive reports seeking approval to spend policy provisions must state whether schemes, once approved, will constitute projects, work programmes or provisions; and, in the case of projects, identify project outcomes and physical milestones against which progress can be monitored.

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

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

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

(c) £1.8m will be available to support potential **Strategic Property**

Acquisitions of land and buildings within the City. Such acquisitions are likely to support economic regeneration or enhance the performance of the corporate estate.

- (d) £3m is set aside to support **New Ways of Working** as a result of the pandemic. Potential schemes could involve re-purposing buildings for more agile working and proposals will be brought for consideration once they have been determined.
- (e) 3.7m is set aside to support further improvements at **Leicester Museum and Art Gallery** with the aim of improving the overall visitor experience through development of facilities, improved visitor flow by opening new routes and the potential to increase gallery space.
- (f) A **Programme Contingency** of £3.8m has been set aside for cost pressures arising from construction inflation, or (if not needed for this purpose) for any emerging capital needs such as potential match funding for any new government programmes.
- (g) £7.3m has been set aside for **Phase 3 of the Outdoor Market Programme** of improvements to the outdoor market and surrounding public realm. A further detailed report will be prepared on the expected scope of works and detailed costing.

Capital Strategy

- 3.25 Local authorities are required to prepare a capital strategy each year, which sets out our approach for capital expenditure and financing at high level.
- 3.26 The proposed capital strategy is set out at Appendix 7.

Consultation

- 3.27 This report will be subject to consultation with stakeholders along with the revenue budget. Comments received will be reflected in the final report to Council.

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

4.1 Financial implications

- 4.1.1 This report is exclusively concerned with financial matters.
- 4.1.2 There is some proposed prudential borrowing in the programme for replacement of vehicles of £3.4m and replacement grounds maintenance machinery for £0.2m. The anticipated revenue costs arising will be £0.3m per year, for which revenue budget exists. This borrowing is affordable,

sustainable and prudent (this is further described in the Treasury Strategy on your agenda).

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

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

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

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

4.2 Legal implications

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

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

4.3 Equalities implications

4.3.1 Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected

characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

- 4.3.2 Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.
- 4.3.3 People from across all protected characteristics will benefit from the improved public good arising from the proposed capital programme. However, as the proposals are developed and implemented, consideration should continue to be given to the equality impacts of the schemes in question, and how they can help the Council to meet the three aims of the Public Sector Equality Duty.
- 4.3.4 The capital programme includes schemes which improve the city's infrastructure and contribute to overall improvement of quality of life for people across all protected characteristics. By doing so, the capital programme promotes the PSED aim of fostering good relations between different groups of people by ensuring that no area is disadvantaged compared to other areas as many services rely on such infrastructure to continue to operate.
- 4.3.5 Some of the schemes focus on meeting specific areas of need for a protected characteristic: disabled adaptations within homes (disability), home repair grants which are most likely to be accessed by elderly, disabled people or households with children who are living in poverty (age and disability), and provision of funds for festive decorations (religion and belief).
- 4.3.6 Other schemes target much larger groups of people who have a range of protected characteristics reflective of the diverse population within the city. Some schemes are place specific and address environmental issues that also benefit diverse groups of people. The delivery of the capital programme contributes to the Council fulfilling our Public Sector Equality Duty (PSED). For example, schemes which support people in being able to stay in their homes, to continue to lead independent lives, and to participate in community life help promote equality of opportunity, another one of the aims of the PSED.
- 4.3.7 Where there are any improvement works to buildings or public spaces, considerations around accessibility (across a range of protected characteristics) must influence design and decision making. This will ensure that people are not excluded (directly or indirectly) from accessing a building, public space or service, on the basis of a protected characteristic. All schemes should consider the PSED and conducting Equality Impact Assessments where relevant in order to inform the process.

Kalvaran Sandhu, Equalities Manager

4.4 Climate Emergency implications

- 4.4.1 The city council declared a climate emergency in February 2019 and has now published its new Climate Emergency Strategy & Action Plan, setting out the ambition to make Leicester a carbon neutral city. The council is one of the largest employers and land owners in the city, with carbon emissions of 28,085tCO₂e from its buildings and schools in 2020/21, and has a high level of influence in the rest of the city. The council has a vital role to play in reducing emissions from its buildings and operations, and leading by example on tackling the climate emergency in Leicester. The report notes the importance of tackling the climate emergency through the capital programme, with many of the projects outlined playing a positive role in reducing carbon emissions in the city.
- 4.4.2 There is not sufficient information within this report to provide specific details of climate change implications for individual projects, which may have significant implications and opportunities. Detailed implications should therefore be produced for individual projects as and when plans are finalised. At a high level, there are some general principles that should be followed during the planning, design and implementation of capital projects, as detailed below. A toolkit is also being developed to support the achievement of reduced carbon emissions in council capital construction and renovation projects.
- 4.4.3 New buildings should be constructed to a high standard of energy efficiency, and incorporate renewable energy sources where possible, with projects aiming to achieve carbon neutral development or as close as possible to this. Maintenance and refurbishment works, including replacement of systems or equipment, should also seek to improve energy efficiency wherever possible. This will reduce energy use and therefore bills, delivering further benefits. Major projects will also need to meet Climate Change policy CS2 in the Leicester City Core Strategy planning document, which requires best practice in terms of minimising energy demand for heating, ventilation and lighting, achieving a high level of fabric efficiency, and the use of low carbon or renewable sources of energy.
- 4.4.4 Projects involving procurement, including for construction works, should follow the Council's sustainable procurement guidelines. This includes the use of low carbon and sustainable materials, low carbon equipment and vehicles and reducing waste in procurement processes. Transport projects should seek to enable a greater share of journeys to be safely and conveniently undertaken by walking, cycling or public transport wherever possible, and many of the planned works will directly contribute to this. Flood risk and environmental works are also a key part of increasing resilience to a changing climate in the city.

Aidan Davis, Sustainability Officer

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

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

5. Background information and other papers:

6. Summary of appendices:

Appendix 1 – Corporate & Unringfenced Capital Resources.

Appendix 2a – Immediate Starts – Estates and Building Services

Appendix 2b – Immediate Starts – Housing General Fund

Appendix 2c – Immediate Starts – Neighbourhood and Environmental Services

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

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

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

Appendix 3 – Policy Provisions.

Appendix 4 – Operational Estate Maintenance Capital Programme

Appendix 5 – Highways Maintenance Capital Programme

Appendix 6 – Children's Capital Improvement Programme

Appendix 7 – Capital Strategy 2022/23.

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

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

Report Author: Ben Matthews

Date:

DRAFT

Appendix One

Capital Resources

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

Immediate Starts – Estates and Building Services

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

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

Summary of Ringfenced Funding

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

Immediate Starts – Housing General Fund

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

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

Summary of Ringfenced Funding

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

Immediate Starts – Neighbourhood and Environmental Services

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

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

Summary of Ringfenced Funding

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

Appendix 2d

Immediate Starts – Planning, Development and Transportation

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

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

Summary of Ringfenced Funding

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

Immediate Starts – Tourism, Culture and Inward Investment

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

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

Summary of Ringfenced Funding

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

Immediate Starts – Social Care and Education – Children’s Services

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

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

Appendix 3

Policy Provisions

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

Summary of Ringfenced Funding

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

Appendix 4**Operational Estate Maintenance Capital Programme**

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

Proposed Highways Maintenance Capital Programme

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

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

Children's Capital Improvement Programme

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

Capital Strategy 2022/23

1. Introduction

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

2. Capital Expenditure

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

- 2.4 Monitoring of capital expenditure is carried out by the Executive and the Overview Select Committee. Reports are presented on 3 occasions during the years, and at outturn. For this purpose, immediate starts have been split into three categories:-
- (a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes are monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);
 - (b) **Work Programmes** – these will consist of minor works or similar schemes where is an allocation of money to be spent in a particular year.
 - (c) **Provisions** – these are sums of monies set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.
- 2.5 When, during the year, proposals to spend policy provisions are approved, a decision on classification is taken at that time (i.e. a sum will be added to projects, work programmes or provisions as the case may be).
- 2.6 The authority does not capitalise expenditure, except where it can do so in compliance with proper practices: it has never applied for directions to capitalise revenue expenditure.
- 2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2022/23. It therefore, includes latest estimates of expenditure from the 2021/22 programme that will be rolled forward.

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

- 2.8 The Council's Estates and Building Services Division provides professional management of non-housing property assets. This includes maintaining the properties, collecting any income, rent reviews, ensuring that lease conditions are complied with and that valuations are regularly updated at least every 5 years. A capital programme scheme is approved each year for significant improvements or renovation.
- 2.9 The Housing Division provides management of tenanted dwellings. Apart from the new build, the HRA capital programme is almost entirely funded from tenants' rents. The criteria used to plan major works are in the table below:-

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

3. Financing Capital Expenditure

- 3.1 Most capital expenditure of the Council is financed as soon as it is spent (by using grants, capital receipts, revenue budgets or the capital fund). The Council will only incur spending which cannot be financed in this way in strictly limited circumstances. Such spending is termed "prudential borrowing" as we are able to borrow money to pay for it. (The treasury management strategy explains why in practice we don't need to borrow on the external market: we must still, however, account for it as borrowing and make "repayments" from revenue each year). Circumstances in which the Council will use "prudential borrowing" are:-
- (a) Where spending facilitates a future disposal, and it is estimated that the proceeds will be sufficient to fully cover the initial costs;
 - (b) Where spending can be justified with reference to an investment appraisal (this is further described in the separate investment strategy).

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

- (c) Other “spend to save” schemes where the initial cost is paid back from revenue savings or additional income;
- (d) Where, historically, the Council has used leasing for vehicles or equipment, and revenue budgets already exist to meet the cost;
- (e) “Once in a generation” opportunities to secure significant strategic investment that will benefit the city for decades to come.

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

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

(The table above excludes PFI schemes).

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

4. **Debt Repayment**

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

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

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

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

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

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

- 4.7 Debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure relating to the construction of an asset, the charge will commence in the year after the asset becomes operational or the year after total expenditure on the scheme has been completed.
- 4.8 The following are the maximum asset lives which can be used:-
- (a) Land – 50 years;
 - (b) Buildings – 50 years;
 - (c) Infrastructure – 40 years;
 - (d) Plant and equipment – 20 years;
 - (e) Vehicles – 12 years.
- 4.9 Some investments governed by the treasury strategy may be accounted for as capital transactions. Should this require debt repayment charges, an appropriate time period will be employed. Share capital has a maximum “life” of 20 years.
- 4.10 Authority is given to the Director of Finance to voluntarily set aside sums for debt repayment, over and above the amounts determined in accordance with the above rules, where he/she believes the standard charge to be insufficient, or in order to reduce the future debt burden to the authority.
- 4.11 In circumstances where the investment strategy permits use of borrowing to support projects which achieve a return, the Director of Finance may adopt a different approach to debt repayment to reflect the financing costs of such schemes. The rules governing this are included in the investment strategy.
- 4.12 The ratio of financing costs to net revenue budget is estimated to be:-

	2021/22	2022/23	2023/24
	%	%	%
General Fund	2.2	2.4	2.4
HRA	11.3	11.4	11.8

5. **Commercial Activity**

- 5.1 The Council has for many decades held commercial property through the corporate estate. It may decide to make further commercial investments in property, or give loans to others to support commercial investment. Our approach is described in the investment strategy, which sets the following limitations:-
- (a) The Council will not make such investments purely to generate income. Each investment will also benefit the Council’s service objectives (most probably, in respect of economic regeneration and jobs). It will, however, invest to improve the financial performance of the corporate estate;
 - (b) The Council will not make investments outside of the LLEP area (or just beyond its periphery) except as described below. We would not, for instance, borrow money to buy a shopping centre 100 miles from Leicester;

- (c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example might be a joint investment in a solar farm, in collaboration with other local authorities; or investment in a consortium serving local government as a whole. In these cases, the location of the asset is not necessarily relevant.
- 5.2 Such investments will only take place (if they are of significant scale) after undertaking a formal appraisal, using external advisors if needs be. Nonetheless, as such investments also usually achieve social objectives, the Council is prepared to accept a lower return than a commercial funder might, and greater risk than it would in respect of its treasury management investments. Such risk will always be clearly described in decision reports (and decisions to make such investments will follow the normal rules in the Council's constitution).
- 5.3 Although the Council accepts that an element of risk is inevitable from commercial activity, it will not invest in schemes whereby (individually or collectively) it would not be able to afford the borrowing costs if they went wrong. As well as undertaking a formal appraisal of schemes of a significant scale, the Council will take into account what "headroom" it may have between the projected income and projected borrowing costs.
- 5.4 In addition to the above, the Council's treasury strategy may permit investments in property or commercial enterprises. Such investments may be to support environmental and socially responsible aims, and are usually pooled with other bodies. For the purposes of the capital strategy, these are not regarded as commercial activities under this paragraph as the activity is carried out under the treasury strategy.
6. **Knowledge and Skills**
- 6.1 The Council employs a number of qualified surveyors and accountants as well as a specialist team for economic development who can collectively consider investment proposals. It also retains external treasury management consultants (currently Arlingclose). For proposed investments of a significant scale, the Council may employ external specialist consultants to assist its decision making.