
Capital Programme 2023/24

Decision to be taken by: Council

Date of meeting: 22 February 2023

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Ben Matthews
- Author contact details: Ben.Matthews@leicester.gov.uk
- Report version number: 1.0

1. Summary

- 1.1 The purpose of this report is to ask the Council to approve a capital programme for 2023/24.
- 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 For the past three years the Council has set a one year capital programme, due to uncertainty over future resources. This uncertainty remains, and currently includes:
 - The revenue budget outlook, which requires significant savings
 - Volatility and inflationary pressures in the construction industry
 - The Council's technical capacity to support a large programme

We are therefore presenting another one year programme, of limited scale. This will enable capacity to be focussed on key schemes and allow time to see the long-term impact of inflation.

Schemes already approved and in the current programme will continue.

- 1.4 The report seeks approval to the "General Fund" element of the capital programme, at a cost of £43.7m. In addition to this, the HRA capital programme (which is elsewhere on your agenda) includes works estimated at £26.1m, £15m of which relates to the affordable homes programme.

- 1.5 The table below summarises the proposed spending for capital schemes starting in 2023/24, as described in this report:-

| <u>Proposed Programme</u> | <u>£m</u> |
|--------------------------------------|-------------|
| <u>Schemes – Summarised by Theme</u> | |
| Grant Funded Schemes | 23.7 |
| Highways & Infrastructure | 2.3 |
| Libraries | 1.0 |
| Own buildings | 5.4 |
| Parks & Play Areas | 2.6 |
| Routine Works | 5.7 |
| Feasibility and Contingencies | 3.0 |
| Total New Schemes | 43.7 |
| | |
| <u>Funding</u> | |
| Unringfenced Resources | 40.7 |
| Monies ringfenced to Schemes | 3.0 |
| Total Resources | 43.7 |

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

| | <u>£m</u> |
|-------------------------|-------------|
| General Fund | 43.7 |
| Housing Revenue Account | 26.1 |
| Total | 69.8 |

- 1.1 The Council's total capital expenditure now forecast for 2023/24 and beyond is expected to be around £400m, including the HRA and schemes approved prior to 2023/24.

- 1.2 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.

1.1 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 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 Five, 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 & children's 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 reduction 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 up to a maximum of £250k per scheme 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 6.

3. Proposed Programme

Key Policy Issues

- 1.2 The key focus of the 2023/24 capital programme is to deliver strategic objectives as far as possible. It is a limited one year programme, but nonetheless complements the existing programme and aims to support the City Mayor's delivery plan.
- 3.2 The programme is based on key themes, shown at paragraph 1.5 above.
- 1.1 The programme supports the Council's commitment to tackling the climate emergency, most obviously but not exclusively within the Transport Improvement Works, Operational Estate and Children's capital maintenance programmes.
- 1.2 Similarly, our commitment to invest in the whole city cuts right across our capital programme. Capital investment will benefit the entire city from our outer estates to the city centre.

Resources

- 1.1 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.
- 1.2 Appendix One presents the resources required to fund the proposed programme, which total some £43.7m. The key unringfenced funding sources are detailed below.
 - (a) £2.1m of general capital receipts and £0.7m of Right to Buy Receipts;
 - (b) £21.7m of unringfenced grant funding. Some of these figures are estimated in the absence of actual allocations from the Government (the figure for 2024/25 represents a first call on that year to enable school schemes to be planned); and
 - (c) £16.2m of resources brought forward, consisting of money set aside in previous years for covid recovery schemes which has been reprioritised, money for schemes which have now been funded from section 106 contributions, savings from completed programmes and previous years' underspends.
- 1.1 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. £2.1m of general capital receipts are available for 2023/24 based on receipts received or

due at the time of writing. Subsequent receipts will be available to fund the 2024/25 programme.

- 1.2 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.
- 1.3 For some schemes the amount of unringfenced resources required is less than the gross cost of the scheme. This is because resources are ringfenced directly to individual schemes. Ringfenced resources are shown throughout Appendix Two and include the following:
 - (a) Government grant and contributions made to support the delivery of specific schemes;
 - (b) Borrowing. Because borrowing has an impact on the revenue budget, it is only used for reasons detailed in capital strategy at Appendix 6 of this report; and
 - (c) Earmarked reserves, such as the Transformation Fund
- 1.1 Only funding required to finance the schemes in this capital programme is included.
- 1.2 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.
- 1.3 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

- 1.1 The whole programme is summarised at Appendix 2. Responsibility for the majority of projects rests with the Strategic Director of City Development and Neighbourhoods.
- 1.2 £23.7m is provided for grant funded schemes. These schemes are funded either from unringfenced grant (where we have discretion) and ringfenced resources.
- (a) £15.9m has been provided to continue with the **Schools Capital Improvements Programme**. The programme will include routine maintenance and spending is prioritised to reflect asset condition and risk. This will be a two year programme to allow for better forward planning. The proposed programme is shown at Appendix 5: detailed schemes will be developed following consultation with schools.
- (b) £3.3m is provided as part of the continued **Highway Capital Maintenance Programme**. This is a rolling annual programme and spending is prioritised to reflect asset condition, risk and local neighbourhood priorities. The proposed programme is shown at Appendix 4.
- (c) £2.6m is provided in 2023/24 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
- (d) £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.
- (e) £150,000 is provided for **Grounds Maintenance Equipment** to replace ageing machinery with up to date, energy efficient models. The replacement of this equipment is met from borrowing, and a revenue budget exists for this purpose.
- 1.3 £2.3m is provided for Highways & Infrastructure.
- (a) £1.8m is provided in a policy provision for additional **Highways Transport and Infrastructure** works. This money will enhance the city centre and local centres through improvements to public

realm, and improve accessibility by modes other than use of private cars.

- (b) £460,000 has been provided to repair **St Nicholas Wall** due to its current condition. The works will be undertaken following engagement and agreement with Historic England.

1.4 £1m is provided for Libraries.

- (a) £1m is provided in a policy provision for **Library Investment**, to transform local libraries into facilities capable of delivering multiple customer facing services.

3.17 £5.4m is provided for the Council's own buildings.

- (a) £3.5m has been provided to support the annual **Operational Estate Capital Maintenance Programme** of works to properties that the Council occupies for its own use. This is a rolling annual programme and spending is prioritised to reflect asset condition and risk. The proposed programme is shown at Appendix 3, but may vary to meet emerging operational requirements.
- (b) £1.25m is for the provision of meters for the **District Heating Programme**. This is part of the same scheme outlined in the Housing Revenue Account Budget Report. The financing will be met by a mix of corporate resources and borrowing which will then be repaid with the income from homeowners (leaseholders).
- (c) £400,000 has been provided for **Decarbonisation of Malcolm Arcade**. Carbon reduction measures such as improvements to natural ventilation, solar panels and natural light improvements will be undertaken.
- (d) £195,000 is provided to complete the final phase of the district heating programme, **connecting Aikman Avenue** to the existing district heating network.
- (e) £100,000 has been provided for additional car parking spaces adjacent to **Phoenix Arts** following the expansion of the cinema and arts centre.

3.18 £2.6m is provided for Parks & Play Areas.

- (a) £2.5m has been provided to support the improvement of the Council's **Multi Use Games Areas (MUGA's)**. This will help increase physical activity and participation in recreational sport across the city.

- (b) £150,000 has been provided for **Spinney Hill Park Play Area Refurbishment**. The works will include resurfacing and the replacement of play equipment.

3.19 £5.7m is provided for Routine Works.

- (a) £3.8m has been made available for the annual **Fleet Replacement Programme**. Wherever possible, ultra low emission vehicles (ULEVs) will be sought to support the Council's climate emergency response. In previous years, this programme has been funded by borrowing, but in 2023/24 it will be funded from corporate resources to reduce revenue budget pressures.
- (b) £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, cycleways and community lighting to be delivered after consultation with ward members.
- (c) £400,000 has been provided for the compulsory purchase and statutory works at **St Paul's Church** on Kirby Road, as part of the Council's obligation to prevent irreparable damage to listed buildings. Whilst these works will initially need to be funded by the Council, on completion the Council will be able to sell the building to recoup these costs.
- (d) £300,000 is provided to continue the **Flood Risk Prevention** scheme into 2023/24. 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) £200,000 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.
- (f) £200,000 is provided in 2023/24 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.

- (g) Following the success of the current scheme, £185,000 has been put aside for the extension of the **Heritage Interpretation Panels Programme**. This scheme uses digital technology to interpret heritage stories in new ways, e.g. via mobile devices.
- (h) £130,000 will pay for specialist equipment to fell trees affected by **Ash Die Back** that pose a risk to the public.
- (i) £50,000 has been provided for a **Historic Building Grant Programme**. This will provide match funding to city residents and organisations to support the repair of historic buildings and the reinstatement of lost original historic features.
- (j) £50,000 continues to be made available for **Acquisition of Long Term Empty Homes**. 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 powers. £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.

3.20 £3m is provided for feasibility and contingencies:.

- (a) £1.5m 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.
- (b) A **Programme Contingency** of £1.5m 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 match funding for new government programmes.

Proposed Programme – Policy Provisions

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

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

monitored.

- 3.23 Some of the schemes described above will be treated as policy provisions.

Capital Strategy

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

- 3.25 The proposed capital strategy is set out at Appendix 6.

Consultation

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

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

4.1 Financial implications

- 4.1.1 This report is exclusively concerned with financial matters.

- 4.1.2 There is proposed prudential borrowing in the programme for replacement grounds maintenance machinery for £150k. The anticipated revenue costs arising will be £13k per year, for which revenue budget exists. Furthermore, there is proposed borrowing of £850k for the district heating programme with the aim of repaying this borrowing over the next 5 years from the income received from homeowners (leaseholders). This borrowing is affordable, sustainable and prudent (this is further described in the Treasury Strategy on your agenda).

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.

Kamal Adatia, City Barrister & Head of Standards

4.3 Equalities implications

- 4.3.1 Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.
- 4.3.2 Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.
- 4.3.3 People from across all protected characteristics will benefit from the improved public realm 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 PSED.
- 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 Facilities Grants (disability), home repair grants which are most likely to be accessed by elderly, disabled people (age and disability), and the Children's Capital Improvement Programme (age).
- 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 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, based on a protected characteristic.

All schemes should consider the PSED and conducting Equality Impact Assessments where relevant to inform the process.

Kalvaran Sandhu, Equalities Manager

4.4 Climate Emergency implications

- 4.4.1 The Council declared a climate emergency in February 2019 and is delivering its Climate Emergency Strategy & Action Plan, which sets an ambition for the council and city to achieve net zero carbon emissions. The council is one of the largest employers and landowners in the city, with a carbon footprint of 16,852 tCO₂e from its own operations. The council therefore has a vital role to play in reducing emissions from its operations, working with its partners 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 a number of the projects outlined directly 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 – Capital Resources.

Appendix 2a – Grant Funded Schemes

Appendix 2b – Highways, Transport & Infrastructure

Appendix 2c – Libraries

Appendix 2d – Own Buildings

Appendix 2e – Parks and Play Areas

Appendix 2f – Routine Works

Appendix 2g – Feasibilities and Contingencies

Appendix 3 – Operational Estate Maintenance Capital Programme

Appendix 4 – Highways Maintenance Capital Programme

Appendix 5 – Children’s Capital Improvement Programme

Appendix 6 – Capital Strategy 2023/24

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 Council.

Report Author: Ben Matthews

Appendix One

Capital Resources

| | 23/24 {£000} | 24/25 {£000} | Total {£000} |
|--|------------------------|------------------------|------------------------|
| <u>Resources Brought Forward</u> | | | |
| Previous years' savings | 16,278 | - | 16,278 |
| Total One Off Resources | 16,278 | - | 16,278 |
| <u>Capital Receipts</u> | | | |
| General Capital Receipts | 2,082 | - | 2,082 |
| Council Housing - Right to Buy Receipts | 700 | - | 700 |
| Total Receipts | 2,782 | - | 2,782 |
| <u>Unringfenced Capital Grant</u> | | | |
| Education maintenance | 9,855 | 6,000 | 15,855 |
| Integrated Transport | 2,576 | - | 2,576 |
| Transport maintenance | 3,262 | - | 3,262 |
| Total Unringfenced Grant | 15,693 | 6,000 | 21,693 |
| TOTAL UNRINGFENCED RESOURCES | 34,753 | 6,000 | 40,753 |
| Ringfenced resources | 2,981 | - | 2,981 |
| TOTAL CAPITAL RESOURCES | 37,734 | 6,000 | 43,734 |

Appendix 2a

Grant Funded Schemes

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|--|-----------------|--------------------|------------------------------------|---------------------------|-----------------------|
| | | | {£000} | {£000} | {£000} |
| <u>Grant Funded Schemes</u> | | | | | |
| Children's Capital Maintenance Programme | CDN (EBS) | WP | 15,855 | - | 15,855 |
| Highway Capital Maintenance | CDN (PDT) | WP | 3,262 | - | 3,262 |
| Transport Improvement Works | CDN (PDT) | WP | 2,576 | - | 2,576 |
| Disabled Facilities Grants | CDN (HGF) | WP | - | 1,861 | 1,861 |
| Grounds Maintenance Equipment | CDN (NES) | WP | - | 150 | 150 |
| TOTAL | | | 21,693 | 2,011 | 23,704 |

Key to Scheme Types : WP = Work Programme

Summary of Ringfenced Funding

| | {£000} |
|--------------------------------|--------------|
| Disabled Facilities Grant | 1,861 |
| Prudential Borrowing | 150 |
| TOTAL RINGENCED FUNDING | 2,011 |

Appendix 2b

Highways, Transport & Infrastructure

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|--|-----------------|--------------------|------------------------------------|---------------------------|-----------------------|
| | | | <i>{£000}</i> | <i>{£000}</i> | <i>{£000}</i> |
| <u>Highways, Transport & Infrastructure</u> | | | | | |
| Highways, Transport & Infrastructure | CDN (PDT) | PP | 1,800 | - | 1,800 |
| St Nicholas Wall | CDN (EBS) | PJ | 460 | - | 460 |
| TOTAL | | | 2,260 | - | 2,260 |

Key to Scheme Types : PJ = Project ; PP = Policy Provision

Libraries

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|-------------------------|-----------------|--------------------|------------------------------------|---------------------------|-----------------------|
| | | | <i>{£000}</i> | <i>{£000}</i> | <i>{£000}</i> |
| <u>Libraries</u> | | | | | |
| Library Investment | CDN (NES) | PP | 1,000 | - | 1,000 |
| TOTAL | | | 1,000 | - | 1,000 |

Key to Scheme Types : PP = Policy Provision

Appendix 2d

Own Buildings

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|----------------------------------|-----------------|--------------------|------------------------------------|---------------------------|-----------------------|
| | | | <i>{£000}</i> | <i>{£000}</i> | <i>{£000}</i> |
| <u>Own Buildings</u> | | | | | |
| Operational Estate Maintenance | CDN (EBS) | WP | 3,500 | - | 3,500 |
| District Heating – Metering | CDN (EBS) | WP | 400 | 850 | 1,250 |
| Malcolm Arcade - Decarbonisation | CDN (EBS) | PJ | 400 | - | 400 |
| Aikman Avenue District Heating | CDN (EBS) | PJ | 195 | - | 195 |
| Phoenix Arts Car Park | CDN (EBS) | PJ | 100 | - | 100 |
| TOTAL | | | 4,595 | 850 | 5,445 |

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

Summary of Ringfenced Funding

| | |
|--------------------------------|---------------|
| | <i>{£000}</i> |
| Prudential Borrowing | 850 |
| TOTAL RINGENCED FUNDING | 850 |

Appendix 2e

Parks & Play Areas

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|---|-----------------|--------------------|------------------------------------|---------------------------|-----------------------|
| | | | {£000} | {£000} | {£000} |
| <u>Parks & Play Areas</u> | | | | | |
| Multi Use Games Areas (MUGAs) | CDN (NES) | PJ | 2,500 | - | 2,500 |
| Spinney Hill Park Play Area Refurbishment | CDN (NES) | PJ | 150 | - | 150 |
| TOTAL | | | 2,650 | - | 2,650 |

Key to Scheme Types : PJ = Project

Appendix 2f**Routine Works**

| | Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval |
|-----------------------------------|-----------------|--------------------|------------------------------------|---------------------------|-----------------------|
| | | | <i>{£000}</i> | <i>{£000}</i> | <i>{£000}</i> |
| <u>Routine Works</u> | | | | | |
| Fleet Replacement Programme | CDN (HGF) | WP | 3,795 | - | 3,795 |
| Local Environmental Works | CDN (PDT) | WP | 400 | - | 400 |
| St Paul's Church | CDN (EBS) | PJ | 400 | - | 400 |
| Flood Risk Prevention | CDN (PDT) | WP | 300 | - | 300 |
| Front Walls Enveloping | CDN (PDT) | WP | 200 | - | 200 |
| Repayable Home Repair Loans | CDN (HGF) | WP | 200 | - | 200 |
| Heritage Panels | CDN (TCI) | WP | 185 | - | 185 |
| Ash Die Back Equipment | CDN (NES) | PJ | 130 | - | 130 |
| Historic Building Grant Fund | CDN (PDT) | WP | 50 | - | 50 |
| Empty Homes Acquisition Programme | CDN (HGF) | PV | 50 | - | 50 |
| TOTAL | | | 5,710 | - | 5,710 |

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

Appendix 2g

Feasibilities and Contingencies

| Division | Scheme Type | Corporate Programme Funding | Ringfenced Funding | Total Approval | |
|---|--------------------|------------------------------------|---------------------------|-----------------------|--------------|
| | | <i>{£000}</i> | <i>{£000}</i> | <i>{£000}</i> | |
| <u>Feasibilities and Contingencies</u> | | | | | |
| Feasibility Studies | CDN (Various) | WP | 1,345 | 120 | 1,465 |
| Programme Contingency | All Divisions | PP | 1,500 | - | 1,500 |
| TOTAL | | | 2,845 | 120 | 2,965 |

Key to Scheme Types : PP = Policy Provision ; WP = Work Programme

Summary of Ringfenced Funding

| | |
|--|-------------------|
| | <i>{£000}</i> |
| Transformation Fund (Earmarked Reserves) | <u>120</u> |
| TOTAL RINGENCED FUNDING | <u>120</u> |

GRAND TOTAL – ALL SCHEMES

40,753 2,981 43,734

Appendix 3**Operational Estate Maintenance Capital Programme**

| Description | Amount £000's |
|---|--------------------------|
| Accessibility Works - To review the accessibility of complex sites in line with the Equalities Act. | 55 |
| Building Works - Essential maintenance at the Council's operational and investment buildings. Key works include a roof replacement and lifecycle replacements in line with lease agreements. | 818 |
| Compliance Works - Generally consisting of surveys to gain condition data across the estate and works arising from the various risk assessments that are undertaken. | 440 |
| Electrical Works - Replacement fuse boards, fire alarms, mains distribution panels and lighting works. | 345 |
| Mechanical Works - Ventilation and plumbing works required at the Council's neighbourhood centres and open spaces. | 99 |
| Sustainability Works - to carry out works to aid the decarbonisation of the Council's estate. Including works to support the energy efficiency technology programme that is in the current capital programme. | 1,469 |
| Emergency Provision – Provision for emergency reactive works that could be required across the Council's estate | 274 |
| TOTAL | 3,500 |

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 – Broad Avenue (The Langhill to Gwendolen Road), Victoria Road East (Gipsy Lane to Hastings Road) | 500 |
| Classified Non-Principal Roads – Saffron Lane continuation (Burnaston Road to Pork Pie Island), University Road (Welford Road to Regent Road) | 365 |
| Unclassified Neighbourhood Roads – Regent Road (Welford Road to Waterloo Way) | 135 |
| LEAN Carriageway & Pothole Repairs – Target large carriageway pothole repairs to provide longer term repairs in readiness for surface dressing. | 410 |
| Footway Relays and Reconstructions – Focus on local neighbourhood priorities; Narborough Road continuation, Melton Road footway improvements, Outer estate footway improvement schemes and cycleway resurfacing schemes. | 627 |
| Strategic Bridge Deck Maintenance & Replacement Works Friday Street bridge and Burleys Way feasibility study. | 185 |
| 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. | 500 |
| TOTAL | 3,262 |

Children's Capital Improvement Programme

| Description | Amount £000's |
|---|--------------------------|
| Building Works - Typical works include roof replacements, sports hall floor replacements, playground resurfacing and window replacements. | 5,060 |
| 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. | 2,165 |
| Mechanical Works - schemes being undertaken within the programme typically consist of re-piping heating systems and end of life ventilation replacements | 1,185 |
| Safeguarding Works - building works to ensure sites are secure. | 400 |
| Sustainability Works - to carry out works to aid the decarbonisation of the Council's estate. Including works to support the energy efficiency technology programme that is in the current capital programme. | 6,405 |
| 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. | 195 |
| Emergency Provision - This is provision within the programme to allow for emergency unforeseen works to be carried out. | 445 |
| TOTAL | 15,855 |

Capital Strategy 2023/24

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 2023/24. It therefore, includes latest estimates of expenditure from the 2022/23 programme that will be rolled forward.

| Department / Division | 2022/23 Estimate £m | 2023/24 & Beyond Estimate £m |
|--|------------------------------------|---|
| All Departments | - | 7.7 |
| Corporate Resources | 0.2 | 3.0 |
| Planning, Development & Transportation | 59.2 | 103.1 |
| Tourism, Culture & Inward Investment | 12.7 | 39.0 |
| Neighbourhood & Environmental Services | 1.8 | 3.9 |
| Estates & Building Services | 20.8 | 9.5 |
| Adult Social Care | 0.6 | 6.4 |
| Children's Services | 15.8 | 44.9 |
| Public Health | 2.1 | 2.5 |
| Housing General Fund | 5.5 | 13.2 |
| Total General Fund | 118.7 | 233.2 |
| Housing Revenue Account | 34.3 | 169.4 |
| Total | 153.0 | 402.6 |

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

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

3. Financing Capital Expenditure

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

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

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

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

| | 2022/23 Estimate £m | 2023/24 | 2024/25 | 2025/26 |
|--------------|------------------------------------|----------------|----------------|----------------|
| HRA | 265 | 301 | 316 | 336 |
| General Fund | 266 | 263 | 260 | 255 |

(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.
- 4.10 Authority is given to the Director of Finance to voluntarily set aside sums for debt repayment, over and above the amounts determined in accordance with the above rules, where she believes the standard charge to be insufficient, or in order to reduce the future debt burden to the authority.
- 4.11 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:-

| | 2022/23 | 2023/24 | 2024/25 |
|--------------|----------------|----------------|----------------|
| | % | % | % |
| General Fund | 1.1 | 0.6 | 0.7 |
| HRA | 11.4 | 12.8 | 14.1 |

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.