

Report of the Chief Officer Financial Services

Report to Executive Board

Agenda Item 7B

Date: 10th February 2021

Subject: Capital Programme Update 2021 – 2025

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Has consultation being carried out ?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In? 6.1 (a)-(c) are not eligible for Call In.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Main issues

1. This report sets out the updated capital programme for 2021-2025 with a forecast of resources available over that period. An update of the 2020/21 programme is also provided. The Council continues to deliver significant capital investment across the city which will provide improved facilities and infrastructure and support the Leeds economy, whilst ensuring the impact on debt costs within the revenue budget is managed.
2. In the period from 2020-2025, the council is seeking to deliver capital investment of £1,842.2m to support Best Council Plan objectives. This will utilise £775.1m of borrowing to fund this investment. The council's borrowing includes £161.0m of capital expenditure that is funded by additional income or generates revenue savings. The council will continue to reduce its borrowing by making debt repayments of £283.5m over the period.
3. Whilst the Council has sought to deliver a large capital programme across the city, Covid-19 has presented a number of financial challenges that will affect the size of the programme in this and future years as the Council seeks to reduce its cost base. The Council sought to restrict further spending whilst the capital programme was reviewed. The exception to these restrictions include essential health and safety work, Covid-19 related spend and schemes where the Council has received external income/grants. Where schemes are contractually committed they continue to progress. This reports updates members on any changes to the proposals that were put to Executive Board in September.

4. Whilst the capital programme remains affordable in 2021/22, ongoing reviews will need to consider the continued affordability of debt costs in future years in the context of: planned expenditure and the Best Council Plan priorities; projections on interest rates; and the strength of the Council's balance sheet to fund capital spend.
5. An update to the 2020/21 position shows projected spend of £436.5m. **Appendix A** outlines the objective analysis of this spend for the period 2020-2025, along with the capital resources required to finance this.
6. The updated capital programme for 2020-2025 requires injections of £91.0m and these are detailed at **Appendix A(iii)**.
7. The Council's Minimum Revenue Provision (MRP) Policy for 2021/22 is set out in **Appendix C** and Capital and Investment Strategy at **Appendix D**.
8. **Best Council Plan Implications** (click [here](#) for the latest version of the Best Council Plan)
Capital objectives were agreed by Executive Board in December 2013 and the capital programme enclosed is structured to show schemes under these objectives.

Climate Emergency

The capital programme has been developed, including a prioritisation process, to direct resources to support Best Council Plan objectives, including the key priority in addressing the climate emergency. The capital programme allows for significant investment in flood defences, district heating, tree planting, electric vehicles, and energy efficiencies in street lighting and council buildings, including housing. Where there are specific climate emergency issues arising from individual capital schemes, these will be covered in their individual decision reports.

9. **Resource Implications**

The current cost of the capital programme is projected to remain affordable within the Medium Term Financial Strategy.

Recommendations

10. *Executive Board is asked to recommend to Council:*
 - a) the capital programme for 2021-2025 totalling £1,842.2m, including the revised projected position for 2020/21, as presented in **Appendix A**;
 - b) the MRP policy statements for 2021/22 as set out in **Appendix C**; and
 - c) the Capital and Investment Strategy as set out in **Appendix D**.
11. Executive Board is asked to approve the following net injections totalling £91.0m, as set out in **Appendix A (iii)**, into the capital programme:
 - £43.0m of annual programme injections and £15.2m of major programme injections as listed at **Appendix A(iv)**;
 - £4.7m of Community Infrastructure Levy (CIL) Strategic Fund monies; and

- £121.2m of other injections, primarily relating to the roll forward of the HRA Programme, annual capital grant allocations, departmental borrowing injections and other secured external funding.
- £93.1m of budget reductions as listed at **Appendix A(v)**;

The above decision to inject net funding of £91.0m will be implemented by the Chief Officer Financial Services.

1. Purpose of this report

- 1.1. This report sets out the updated capital programme for 2021-2025, detailing forecast resources for that period. It also includes an update of the 2020/21 programme.
- 1.2. In accordance with the Council's Budget and Policy Framework, decisions as to the Council's capital programme are reserved to Council. In addition, statutory guidance requires that policies on Minimum Revenue Provision (see 3.5) are approved by Council. As such, the recommendations at 6.1 (a-c) are not subject to call in.

2. Background information

- 2.1. In preparing the capital programme update, ongoing reviews of the phasing of expenditure on existing capital schemes has been undertaken together with an updated projection of capital resources. Where appropriate, scheme estimates have been revised.
- 2.2. This update of the capital programme has been prepared in the context of the overall resources available to the Council. The provisional local government settlement announced in December 2020 set out the revenue funding local authorities can expect in 2021/22 and this capital programme is therefore set in line with these funding limits and in line with the Medium Term Financial Strategy.
- 2.3. The capital programme outlined at **Appendix A**, is split between General Fund and HRA with **Appendices A(i) to A(v)** providing details across the annual and major programmes and injections / deletions since the quarter 2 report. **Appendix F** provides a full list of schemes by capital objective analysis.

3. Capital Programme Update

3.1. Capital Programme Update 2020/21

- 3.1.1. The latest projected expenditure for 2020/21 is £436.5m and it is forecast that resources will be available to fund this level of expenditure both within the General Fund and HRA programmes. **Table 1** shows the latest position against previous updates to Executive Board.

Table 1 - Capital Resources Position 2020/21

	2020/21				
	February 2020 Capital Programme	Capital Programme Q1	Capital Programme Q2	This Report	Variance This Report to Q2
	£m	£m	£m	£m	£m
Forecast Expenditure	588.3	526.9	473.8	436.5	(37.3)
Funded By;					
Borrowing	246.1	205.6	168.2	129.9	(38.3)
Government Grants	219.1	219.6	205.7	207.4	1.7
Gen Fund Capital Receipts	2.3	2.2	2.2	2.0	(0.2)
Other Grants & Contributions	23.6	24.6	33.1	32.1	(1.0)
HRA Self Financing	71.4	53.1	52.7	52.8	0.1
HRA Right to Buy Receipts	25.8	21.8	11.9	12.3	0.4
Total Forecast Resources	588.3	526.9	473.8	436.5	(37.3)

- 3.1.2. A review of all capital schemes within the programme takes place on a monthly basis, with two quarterly reviews reported to Executive Board in July and November. These reviews ensure that where schemes are funded from borrowing, they are still an essential priority for the Council in supporting the delivery of the Best Council Plan. Table 1 shows that since the February 2020 capital programme, borrowing decreased by £77.9m between February '20 and Q2 and a further £38.3m between Q2 and this report, a net £116.2m. The slippage of £38.3m borrowing since Q2 mainly relates to the repurposing of the Clean Air Zone, and the rephasing of the Waste Depot and Highways schemes such as Regent St Flyover, General Maintenance, Thorpe Arch Bridge and Street Lighting LED Replacement.
- 3.1.3. Members are asked to note that there are other capital related reports elsewhere on the agenda. These include reports on; Acquisitions of Premises at Kingsdale Court, Seacroft, Accelerated Capital Receipts and Estate Rationalisation, The Leeds CIL – Investment of the Strategic Fund, The Door to Door Community Transport Service Project and Review of the Local Centres Programme. Reports with capital funding implications are included within this capital programme update.

3.2. Capital Programme Resources 2020/21 to 2024/25

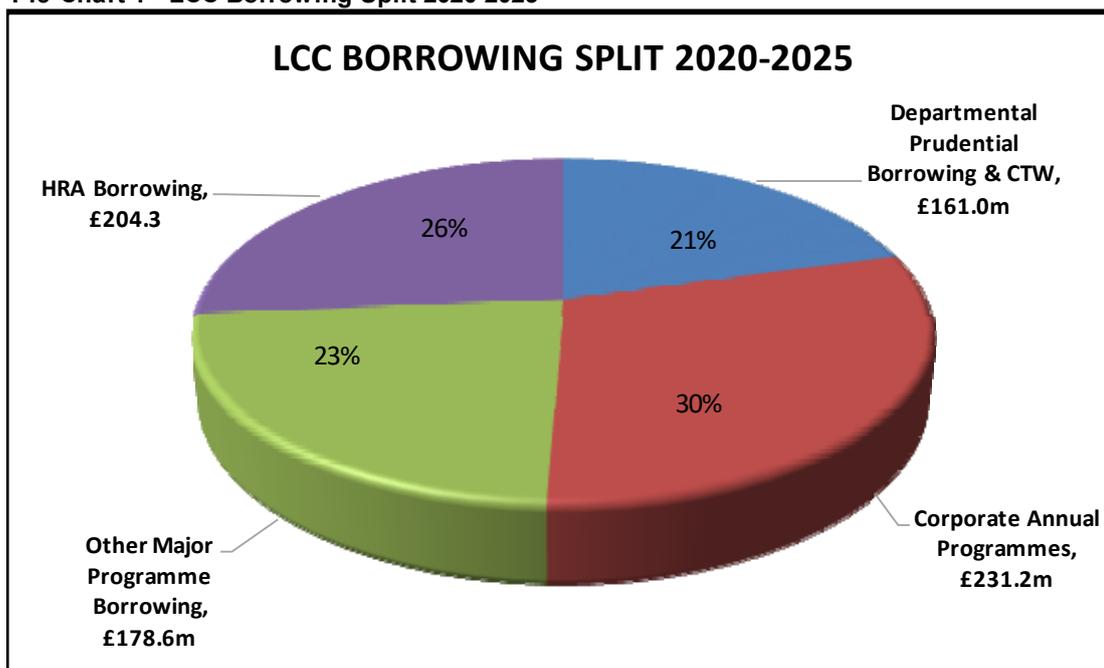
- 3.2.1. **General Fund** - The Council's revenue funding envelope over the medium term places constraints on the level of debt that the Council can afford. As such only those schemes supported by a robust business case and that meet the Council's priorities will progress. However, the strategy allows for an additional increase in debt where the additional debt cost is met from schemes that generate greater savings, or avoid revenue costs, or provide income streams. The council will continue to explore and take advantage of investment opportunities as they arise and these will also be subject to robust business case review in line with financial / governance procedure rules. Table 2 below shows the Council's level of annual programmes, corporate borrowing and borrowing supported by income streams and or cost savings.

Table 2 - Capital Programme Net Borrowing Requirement 2020-2025

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
Corporate Borrowing						
Annual Programmes in Year	51.2	57.7	51.2	37.9	33.2	231.2
Corporate Borrowing Gen Fund	45.9	69.5	50.4	11.1	1.7	178.6
Corporate Borrowing HRA	6.2	53.3	58.6	46.1	40.1	204.3
Total Corporate Borrowing	103.3	180.5	160.2	95.1	75.0	614.1
Borrowing supported by revenue	26.6	43.1	38.9	33.8	18.6	161.0
Total LCC Borrowing	129.9	223.6	199.1	128.9	93.6	775.1
Repayment of Debt (MRP)	51.1	54.1	57.7	60.0	60.6	283.5
Net Borrowing requirement	78.8	169.5	141.4	68.9	33.0	491.6

- 3.2.2. Overall the level of borrowing required to fund the full 2020-2025 capital programme is £775.1m. Of this, £161.0m or 21% relates to capital expenditure that is funded by additional income or generates revenue savings. The council will continue to reduce its borrowing by making debt repayments of £283.5m. The split of LCC borrowing for the full programme is shown in the pie chart below.

Pie Chart 1 - LCC Borrowing Split 2020-2025



3.2.3. Resources of £1,842.2m are required to fund the City Council's capital programme from 2020-2025. These are summarised in **Appendix A**, divided into General Fund resources and HRA resources. **Appendix A(i) and (ii)** provides the details across the annual and major programmes. **Table 3** below shows the overall resources position including 2020/21.

Table 3: Total Capital Resources 2020-2025

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Specific Resources General Fund	234.1	196.9	111.3	37.7	39.8	619.8
Specific Resources HRA	72.5	106.7	105.0	82.3	80.8	447.3
* Corporate Borrowing Resources	129.9	223.6	199.1	128.9	93.6	775.1
Total Resources	436.5	527.2	415.4	248.9	214.2	1,842.2

* Includes £204.3m of borrowing for the HRA programme - £175.1m for Council House Growth Programme and £29.2m for Housing Leeds.

3.2.4. **Specific Resources General Fund £619.8m** - This includes funding which has been secured for specific schemes in the form of government grants such as Learning Places (Basic Need), Capital Maintenance in Schools, Section 31 transport grant, Leeds Public Transport Programme, East Leeds Orbital Road, Flood Alleviation, Local Transport Plan, Other government departments and other contributions from external bodies including the Heritage Lottery Fund and private developers which is then passported to the relevant directorate programmes. It also includes some capital receipts that can be applied under the Flexible Use of Capital Receipts Strategy to fund the costs of Transformational Change.

3.2.5. **Specific Resources HRA £447.3m** - In accordance with the HRA budget, HRA capital expenditure has been set assuming a 1.5% rent increase for 2021/22. This will deliver HRA investment of £366.1m for the Council House refurbishment programme and £81.2m for the Council Housing Growth Programme.

3.2.6. **Corporate Resources £775.1m, Gen Fund £570.8m & HRA £204.3m** - These represent resources which the Council has more freedom to allocate to its own policy priorities. The main sources are borrowing and capital receipts.

3.2.7. In terms of capital receipts, a list of land and property sites due for disposal during the period of the capital programme are detailed in the 'Accelerated Capital Receipts and Estate Rationalisation' report included elsewhere on this agenda.

3.2.8. In deciding on the application of capital funding it is proposed that:

- Capital receipts are allocated firstly to the liabilities to be funded for the year in relation to PFI schemes. This will remove the need for MRP charges equal to the value of the capital receipts applied.
- For any remaining capital receipts, the Chief Officer Financial Services will determine annually the most appropriate use of these receipts, taking into account forecasts for future expenditure and the generation of further receipts.
- Any other general capital income will be allocated to those capital schemes which relate to the shortest lived assets.

3.3. Capital Expenditure 2020/21 to 2024/25

3.3.1. A summary of the forecast capital programme by capital objective is set out below and the updated capital programme by individual scheme within these objectives is attached at **Appendix F**.

Table 4: Total Capital Expenditure 2020-2025

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Improving Our Assets	189.9	298.4	260.7	176.0	173.5	1,098.5
Investing In Major Infrastructure	134.2	114.7	70.1	8.3	4.4	331.7
Supporting Service Provision	65.9	56.6	36.3	29.9	11.3	200.0
Investing in New Technology	14.9	18.3	8.4	5.7	5.0	52.3
Supporting the Leeds Economy	10.5	20.0	15.3	1.1	0.2	47.1
Central and Operational Expenditure	21.1	19.2	24.6	27.9	19.8	112.6
Total Resources	436.5	527.2	415.4	248.9	214.2	1,842.2

3.3.2. As can be seen from table 4 above, investment of £436.5m is taking place during 2020/21 with further investment of £1,405.7m planned from 2021/22 to 2024/25.

3.3.3. Whilst the Council has sought to deliver a large capital programme across the city, Covid-19 has presented a number of financial challenges that will affect the size of the programme in this and future years as the Council seeks to reduce its cost base. The Council has sought to restrict further spending whilst the capital programme is reviewed. The exception to these restrictions include essential health and safety work, Covid-19 related spend and schemes where the Council has received external income/grants. Where schemes are contractually committed they continue to progress. This reports updates members on any changes to the proposals that were put to Executive Board in September.

3.3.4. **Appendix A(iii)** details the injections that this report seeks which have taken place between the Quarter 2 update report and this report. This report seeks a net injection of £91.0m.

3.3.5. The annual Capital Programme Review process considers the affordability of the programme and the capital spending requirements over a 10 year time period, better reflecting a more coordinated approach to capital investment requirements whilst ensuring that affordability remains within the Medium Term Financial Strategy. This report seeks injections to roll forward both annual and major programmes into 2024/25. These amount to £43.0m for annual programmes and £15.2m for major programmes. **Appendix A(iv)** provides details of these injections.

- 3.3.6. September 2020 Executive Board considered budget reduction proposals totalling £131.5m where capital schemes were to be either stopped, reduced or delayed. The only change to the original proposals is that a £20.4m funding swap in relation to the Regent St Flyover scheme has not been fully secured as yet. To date, only £1.5m has been secured, with discussions continuing with the Combined Authority.
- 3.3.7. Budget reduction proposals now amount to £112.6m summarised as: £82.0m deletions and £11.1m of funding swaps – a net deletion to the capital programme of £93.1m and £19.5m of rephasing. Table 5 below summarises the reductions per directorate with **Appendix A(v)** providing further details of each reduction.

Table 5: Budget Reduction Proposals

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Adults and Health	-0.4	0.2	0.2	-1.8	0.0	-1.8
Children and Families	-0.3	-1.5	-21.0	-1.2	0.0	-23.9
City Development	-18.0	-27.3	11.3	-4.2	0.0	-38.2
Communities, Housing and Environment	-1.0	-3.1	-0.7	-0.7	0.0	-5.6
Resources	-7.6	-7.3	-4.0	-3.1	0.0	-22.0
Strategic Accounts	-0.8	-0.9	-0.1	0.2	0.0	-1.5
Grand Total	-28.1	-39.9	-14.4	-10.7	0.0	-93.1

- 3.3.8. £4.7m of Community Infrastructure Levy (CIL) Strategic Fund monies is being injected into the Capital Programme to the Learning Places Programme to assist in cashflowing the expected programme of works during 2020/21.
- 3.3.9. The other injections being sought as part of this report, totalling £121.2m, include £60.4m for the roll forward of the HRA Programme, £18.7m for annual capital grant allocations, £12.1m of departmental borrowing injections where business cases demonstrate that additional income or costs savings can be delivered, and £30.0m of other external funding that has been secured since the Quarter 2 report and which requires injection approval.
- 3.3.10. The Council recovers VAT on expenditure (capital and revenue) relating to the council's statutory functions and on activities which are charged for at the standard rate of VAT. VAT incurred on expenditure relating to activities which are charged for and which are exempt from VAT is only recoverable if the amount of such VAT does not exceed 5% of the council's total VAT on expenditure in any one year. Examples of exempt activities are sport, culture, land & property transactions, and crematoria. If the Council's VAT on expenditure relating to its exempt activities exceeds the 5% limit, all VAT on expenditure attributable to exempt activities is irrecoverable. This would create an additional cost to the Council of at least £7m. In addition, the Council would also have to bring into account a proportion of any VAT incurred in the prior 10 years which was attributable to exempt activities and recovered in full at the time. The mid-year review of pressures and capital requirements for future years took these vat implications into account to ensure that the current programme stays within the 5% limit. Future schemes will only be allowed to progress once the full impact of the VAT implication has been assessed.
- 3.3.11. The overall capital investment will deliver against a number of council priorities and objectives. **Appendix B (i)** lists the major schemes contained within each objective in the period 2020-2025 and **Appendix B (ii)** provides a narrative update on these.

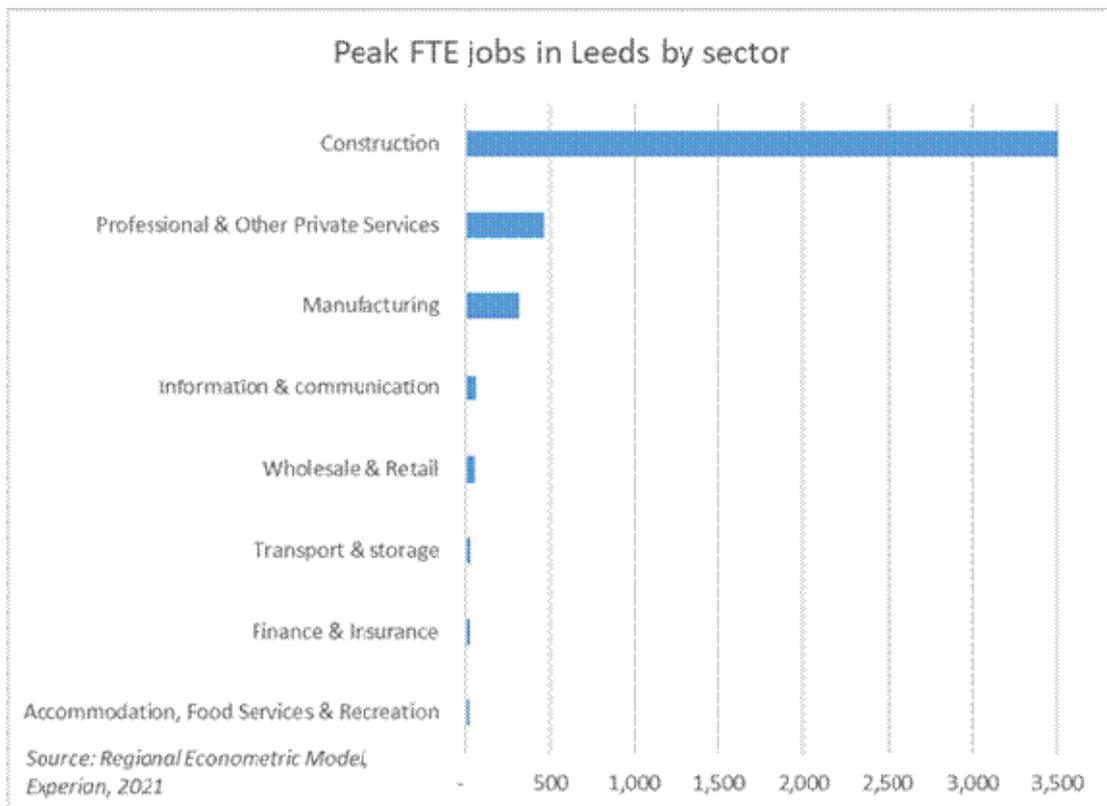
3.4. Economic Impact Analysis

- 3.4.1. An assessment of the economic impact of the Council's capital programme investment has been undertaken which makes use of the Capital Expenditure

(CAPEX) to model construction employment generated through Capital Expenditure and the Regional Econometric Model (REM) which can estimate the wider economic impact of the capital programme through multiplier effects. The key points below estimate the economic impact for Leeds and the Leeds City Region from 2020-2025:

- An estimated peak of 4,520 net additional FTE job roles in Leeds will be created over the 5 years through Leeds City Council capital expenditure generating £1.132bn Gross Value Added (GVA) for the Leeds economy over this period.
- In addition a further net additional 430 jobs and £78m GVA will be created in the wider Leeds City Region by our capital expenditure.
- In total, it is therefore estimated that Leeds City Council capital expenditure between 2020-2025 will create a peak of 4,950 FTE jobs and generate £1.21bn GVA in the Leeds City Region.

3.4.2. The industry employment sector breakdown of FTEs in Leeds in the peak year is set out below:



3.5. Capital Strategy – MRP

3.5.1. The MRP is an annual revenue charge for the repayment of borrowing and other capital financing liabilities. Local authorities are required by statute to determine each financial year what they consider to be a prudent amount of MRP, and are required by statutory guidance to approve an annual statement setting out their MRP policy. The policy should be approved by full council, and any subsequent revisions which are proposed to the approved policy should also be approved by full council.

3.5.2. There are no proposed changes to the Council's MRP policy for 2020/21 and no changes from that to the Council's MRP policy for 2021/22. The 2021/22 MRP Policy is attached at **Appendix C**.

3.6. Prudential Indicators

- 3.6.1. Under the current self-regulatory financial framework, CIPFA's prudential code for capital finance¹, each authority is required to set a number of prudential indicators and limits for its capital plans which will include affordability, the impact of capital investment plans on council tax and housing rents, capital expenditure levels, external debt and treasury management indicators. A number of these indicators relate specifically to treasury management operations and for 2020/21 to 2023/24 these are included in the treasury management strategy report elsewhere on the agenda. In relation to capital expenditure, and in accordance with the prudential code, this report indicates future levels of capital expenditure, forecast resources and the resulting borrowing requirement (before providing for the statutory charge to revenue for past capital expenditure, known as minimum revenue provision). Details are set out in **Appendix A** of the Treasury Management Strategy 2021/22 Report elsewhere on this agenda.
- 3.6.2. Any unsupported borrowing carried out must be affordable within the revenue budget (i.e. the cost of interest and debt repayments). For 2021/22, the debt cost of all schemes funded through borrowing have been provided for in the revenue budget, approval for which is contained within the revenue budget report elsewhere on this agenda.

3.7. Capital and Investment Strategy

- 3.7.1. The prudential code for capital finance also requires each authority to have both a Capital Strategy and an Investment Strategy, with the option to produce one strategy document covering both of these areas. The council has opted to produce an overall Capital and Investment Strategy, and is attached at **Appendix D**.

4. Corporate Considerations

4.1. Consultation and Engagement

- 4.1.1. The Council's provisional budget proposals, including the capital programme, were set out in a report to Executive Board in December 2020.
- 4.1.2. The report was also used for wider consultation with the public through the Leeds City Council web-site, the results of this consultation are contained in the revenue budget report which is elsewhere on the agenda.

4.2. Equality and Diversity / Cohesion and Integration Screening

- 4.2.1. The capital programme sets out a plan of capital expenditure over future years and further spending decisions are taken in accordance with capital approval processes, as projects are developed. This is when more detailed information will be available as to where in the city capital spending will be incurred and the impact on services, buildings and people. Service Directorates will include equality considerations as part of the rationale in determining specific projects from capital budgets.
- 4.2.2. In terms of the content of this report, an Equality Screening document has been prepared and is attached at **Appendix E**.

¹ CIPFA – The Prudential Code for Capital Finance in Local Authorities (amended 2017)

4.3. Council policies and Best Council Plan

4.3.1. Capital objectives were agreed by Executive Board in December 2013. The capital programme attached to this report is structured to show schemes under these objectives. The schemes have been drawn up in conjunction with the 2021/22 revenue budget and seek to ensure that the Council's financial resources are directed towards its policies and priorities and, that these policies and priorities as part of the Best Council Plan, are affordable.

Climate Emergency

4.3.2. The capital programme has been developed, including a prioritisation process, to direct resources to support Best Council Plan objectives, including the key priority in addressing the climate emergency. The capital programme allows for significant investment in flood defences, district heating, tree planting, electric vehicles, and energy efficiencies in street lighting and council buildings, including housing. Where there are specific climate emergency issues arising from individual capital schemes, these will be covered in their individual decision reports.

4.4. Resources and value for money

4.4.1. The resource implications of this report are detailed in section 3 above. For the capital programme to be sustainable, the Chief Officer Financial Services must be satisfied that the cost of borrowing currently included in the capital programme can be contained within the approved revenue debt budget. The updated capital programme funding statement set out in **Appendix A** shows that the total borrowing for 2020-2025 is £775.1m.

4.4.2. In order to ensure that schemes meet Council priorities and are value for money, the Chief Officer Financial Services has processes in place to ensure:

- capital pressures and capital requirements for future years are scrutinised and prioritised by Officer challenge groups in line with the following principles:
 - Statutory requirement
 - Health and Safety (Immediate)
 - Fully/part funded (where funding agreements are in place)
 - Income protection
 - Future cost savings
 - Impact upon Council staffing and its trading services (e.g. Leeds Building Services) and the impact on various partnership impacts (e.g. NPS).
- promotion of best practice in capital planning and estimating to ensure that scheme estimates and programmes are realistic;
- the introduction of new schemes into the capital programme will only take place after the identification of the required resources;
- the use of departmental borrowing for spend to save schemes is based on individual business cases and in the context of identifying the revenue resources to meet the borrowing costs.

4.5. Legal Implications, Access to Information and Call In

4.5.1. In accordance with the Council's Budget and Policy Framework, decisions as to the Council's capital programme are reserved to Council. In addition, statutory guidance requires that policies on Minimum Revenue Provision (see 3.5 and **Appendix C**) are

approved by Council. As such, the recommendations at 6.1 (a to c) are not subject to call in.

4.5.2. In accordance with the Budget and Policy Framework Rules, the Executive Board is required to make proposals to Council regarding the degree of in year changes which may be undertaken by the Executive. There are no proposed changes to these rules.

4.6. **Risk Management**

4.6.1. The Council has reviewed its capital programme requirements in the context of the ongoing Covid-19 pandemic and its subsequent financial challenges. The longer the pandemic continues the greater the risks are in terms of the deliverability of the programme and the worsening of the financial challenge. Continual reviews of the capital programme will need to be undertaken to address this changing and challenging situation.

4.6.2. One of the main risks in managing the capital programme is that insufficient resources are available to fund the programme. As the capital programme is fully funded this risk lies within the treasury management of the debt budget. Monthly monitoring procedures are in place for expenditure, resources and capital receipts, and debt monitoring to ensure that this risk can be managed effectively.

4.6.3. In addition, the following measures are in place:

- ensuring written confirmation of external funding is received prior to contractual commitments being entered into;
- quarterly monitoring of the council's VAT partial exemption position to ensure that full eligibility to VAT reclaimed can be maintained;
- provision of a £7.0m central contingency within the capital programme to deal with unforeseen circumstances. Individual programmes and schemes will also contain a risk provision for unexpected circumstances;
- compliance with both financial regulations and contract procedure rules to ensure the Council's position is protected; and
- ensuring all major programmes are supported by programme boards.

4.6.4. The aspiration remains to limit the increase in the level of debt. The Council has sought to manage this through its Capital Programme Review process, reviewing priorities, identifying pressures and capital requirements for future years, and ensuring that affordability remains within the Medium Term Financial Strategy.

5. **Conclusions**

5.1. The Council has reviewed its capital programme requirements in the context of the challenging financial and health climate and continues to seek to deliver capital investment across the city which will provide improved facilities and infrastructure and support the Leeds economy, whilst ensuring the impact on debt costs within the revenue budget is managed.

5.2. In the period from 2020-2025, the council is seeking to deliver capital investment of £1,842.2m, of which £1,190.6m relates to the General Fund and £651.6m relates to the Housing Revenue Account (HRA). This is funded through £775.1m of LCC borrowing and £1,067.1m of specific resources.

5.3. Forecasts for the debt budget beyond 2021/22 are dependent upon interest rate assumptions, the likely level of capital spend and the Councils cash balances. These

will be kept under review throughout 2021/22, before establishing the 2022/23 debt budget. Funding is available to meet the level of HRA investment.

- 5.4. The Chief Officer Financial Services will continue to ensure adequate resources are available to meet the planned level of investment through continued and regular review of profiling, priorities and resources within the programme.

6. Recommendations

6.1. Executive Board is asked to recommend to Council:

- a) the capital programme for 2021-2025 totalling £1,842.2m, including the revised projected position for 2020/21, as presented in **Appendix A**;
- b) the MRP policy statement for 2021/22 as set out in **Appendix C**; and
- c) the Capital and Investment Strategy as set out in **Appendix D**.

6.2. Executive Board is asked to approve the following net injections totalling £91.0m, as set out in **Appendix A (iii)**, into the capital programme:

- £43.0m of annual programme injections and £15.2m of major programme injections as listed at **Appendix A(iv)**;
- £4.7m of Community Infrastructure Levy (CIL) Strategic Fund monies; and
- £121.2m of other injections, primarily relating to the roll forward of the HRA Programme, annual capital grant allocations, departmental borrowing injections and other secured external funding.
- £93.1m of budget reductions as listed at **Appendix A(v)**;

The above decision to inject net funding of £91.0m will be implemented by the Chief Officer Financial Services.

Appendices

A – Capital Programme Funding Statement 2020-2025

A (i) – Annual Programmes

A (ii) – Major Programmes and Other Directorate Schemes

A (iii) – Net increase in funding since February 2020 to end of January 2021

A (iv) – Capital Programme Review 2020/21 to 2029/30

A (v) – Budget Reduction Proposals

B (i) – Major schemes contained within each Objective 2020-2025 (Pie Chart)

B (ii) – Major schemes contained within each Objective 2020-2025 (Narrative)

C – Statement of Policy on the Minimum Revenue Provision for 2021/22

D – Capital and Investment Strategy

E – Equality, Diversity, Cohesion and Integration Screening Document

F – Capital Programme – Scheme Details (Organised by Capital Objective)

Background documents² None

² The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Capital Programme Funding Statement 2020-2025

Appendix A

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
EXPENDITURE						
GENERAL FUND (GF)						
IMPROVING OUR ASSETS	111,274	138,365	97,127	47,504	52,647	446,916
INVESTING IN MAJOR INFRASTRUCTURE	134,251	114,648	70,106	8,339	4,400	331,744
SUPPORTING SERVICE PROVISION	65,917	56,536	36,334	29,922	11,251	199,960
INVESTING IN NEW TECHNOLOGY	14,873	18,328	8,353	5,746	5,044	52,344
SUPPORTING THE LEEDS ECONOMY	10,526	20,023	15,350	1,106	154	47,157
CENTRAL & OPERATIONAL EXPENDITURE	21,049	19,247	24,583	27,902	19,785	112,567
TOTAL ESTIMATED SPEND ON GF	357,890	367,147	251,853	120,518	93,281	1,190,688
HOUSING REVENUE ACCOUNT (HRA)						
IMPROVING OUR ASSETS - COUNCIL HOUSING	78,649	160,045	163,569	128,450	120,955	651,668
TOTAL ESTIMATED SPEND ON HRA	78,649	160,045	163,569	128,450	120,955	651,668
TOTAL ESTIMATED SPEND	436,538	527,192	415,422	248,968	214,235	1,842,356
RESOURCES						
GENERAL FUND (GF)						
Specific Resources						
GOVERNMENT GRANTS	206,275	179,293	93,420	31,664	37,019	547,671
OTHER GRANTS & CONTRIBUTIONS	25,924	12,289	11,440	3,182	500	53,335
RCCO / RESERVES	3	400	0	0	0	403
CAPITAL RECEIPTS - Transformational Change	2,019	4,914	6,480	2,850	2,249	18,512
Corporate Resources						
BORROWING - Corporate	106,879	136,523	113,043	61,007	47,807	465,259
BORROWING - Departmental	16,789	33,728	27,469	21,815	5,707	105,507
CAP. RESOURCES REQD FOR GF	357,890	367,147	251,853	120,518	93,281	1,190,688
HOUSING REVENUE ACCOUNT (HRA)						
Specific Resources						
HRA SELF FINANCING	52,820	70,701	66,043	50,280	67,693	307,536
R.T.B. CAPITAL RECEIPTS	12,272	27,198	36,047	31,187	13,124	119,827
GOVERNMENT GRANTS	1,145	5,130	0	558	0	6,833
RCCO / RESERVES	240	321	300	300	0	1,160
OTHER GRANTS & CONTRIBUTIONS	5,989	3,363	2,599	15	5	11,970
BORROWING - Departmental	6,183	53,333	58,581	46,111	40,134	204,342
CAP. RESOURCES REQD FOR HRA	78,649	160,045	163,569	128,450	120,955	651,668
TOTAL CAP. RESOURCES REQD	436,538	527,192	415,422	248,968	214,235	1,842,356
BORROWING REQUIRED TO FUND THIS PROGRAMME						
	129,851	223,584	199,093	128,933	93,647	775,108
Average Interest rate (subject to change)	1.50%	1.75%	2.25%	2.50%	2.75%	

Annual Programmes

Appendix A (i)

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
Improving Our Assets						
Highways Maintenance	11,279	12,047	10,000	10,000	10,000	53,326
Section 278	4,856	3,896	4,723	4,523	4,000	21,998
Highways Maintenance Capitalisations	4,600	4,600	4,600	4,022	2,800	20,622
Heritage Assets	2,652	5,657	9,338	0	0	17,648
Schools Capital Expenditure	3,500	3,500	3,500	2,800	2,100	15,400
Corporate Property Management	4,849	5,000	1,500	1,500	1,500	14,349
Highways Bridges & Structures	0	3,508	2,700	2,657	2,700	11,564
Demolition Programme	884	1,000	500	500	500	3,384
Library Books	525	525	525	450	300	2,325
Fire Risk Assessments	710	750	750	0	0	2,210
General Refurbishment Schools	894	415	180	0	0	1,489
Sports Maintenance	102	100	100	100	100	502
Civic Hall Backlog Maintenance	104	300	0	0	0	404
Traffic Management Programme	207	0	0	0	0	207
	35,161	41,298	38,416	26,552	24,000	165,427
Supporting Service Provision						
Adaptations - Disabled Facilities Grants	6,871	8,622	8,622	8,622	8,622	41,358
Telecare ASC	480	600	600	600	600	2,880
Adaptation to Private Homes	263	740	470	470	470	2,413
Childrens Centres	26	50	50	100	50	276
	7,640	10,012	9,742	9,792	9,742	46,927
Investing In New Technology						
Essential Services Programme	6,033	4,230	4,210	3,231	2,500	20,204
Digital Development	4,815	5,522	2,500	2,500	2,500	17,837
	10,849	9,752	6,710	5,731	5,000	38,041
Supporting The Leeds Economy						
Project Support Fund - Groundwork	66	70	70	70	70	346
Central & Operational Expenditure						
General Capitalisations	3,900	3,900	3,900	3,300	2,700	17,700
Vehicle Programme	4,613	1,000	2,000	2,000	1,200	10,813
Capital Programme Management	541	541	541	541	541	2,707
Capitalisation of Interest	586	214	200	200	200	1,400
	9,641	5,655	6,641	6,041	4,641	32,620
Total Annual Programmes 2020-2025	63,356	66,787	61,579	48,186	43,453	283,362

Major Programmes & Other Directorate Schemes

Appendix A (ii)

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Improving our assets - Council Housing						
HRA Housing Leeds & BITMO & Other	62,745	91,355	79,735	79,735	81,742	395,312
HRA Council Housing Growth Programme	15,904.1	68,690.0	83,834.3	48,715.2	39,212.1	256,355.7
Improving our assets - General Fund						
Capital Maintenance / School Condition Allocation	20,640	15,338	8,616	6,744	11,831	63,169
Highways Maintenance LTP Grant	5,727	5,750	5,750	5,750	5,750	28,727
Regent Street Flyover	12,000	14,954	700	0	0	27,654
Streetlighting Replacement LEDs	5,456	6,616	7,129	2,909	5,000	27,110
Parklife Programme	1,269	12,480	3,902	0	0	17,651
Parks & Countryside Schemes	6,647	6,822	1,948	0	0	15,417
Aireborough (Ph2) and Fearnville Leisure Centres	367	2,110	12,154	0	0	14,631
Highways Transport Package	2,854	2,500	2,500	2,500	2,500	12,854
Strategic Investment Fund Acquisitions	182	5,400	7,211	0	0	12,793
Network/Junction Improvements	5,379	5,441	290	0	0	11,110
Devolved Formula Capital Grant	1,800	1,800	1,894	1,358	2,716	9,568
Armley Gyratory	300	4,787	0	0	0	5,087
Bridges and Structures	3,601	992	0	0	0	4,593
Assisted Living Leeds	152	2,725	1,400	0	0	4,277
Community Hubs Programme	1,308	2,686	0	0	0	3,995
Climate Emergency	880	700	750	800	850	3,980
Future Ways of Working and Estate Realisation	453	680	1,400	0	0	2,533
Telecare Analog to Digital	300	800	500	0	0	1,600
Albion House Purchase & Red Hall Demolition	823	0	0	0	0	823
Other smaller schemes within the objective	5,975	4,486	2,566	891	0	13,917
	154,761	257,113	222,280	149,402	149,601	933,157
Investing in Major Infrastructure						
Flood Alleviation Schemes	15,228	38,553	44,991	8,219	0	106,990
East Leeds Orbital Road (ELOR)	32,629	45,630	23,500	0	0	101,759
Connecting Leeds - Leeds Public Transport Investment (LPTIP)	67,206	18,395	0	0	0	85,601
Clean Air Zone	4,546	5,000	0	0	4,400	13,946
Cycle Superhighway	7,665	1,657	44	45	0	9,411
District Heating Network & Energy Efficiency	4,922	1,920	75	75	0	6,992
City Centre Vehicle Access Restrictions & Electric Charge Points	926	892	827	0	0	2,645
UTMC Works	560	1,981	0	0	0	2,541
Leeds Integrated Station Masterplan (LISM) & HS2	558	500	500	0	0	1,558
Other smaller schemes within the objective	11	121	170	0	0	301
	134,251	114,648	70,106	8,339	4,400	331,744
Supporting Service Provision						
Learning Places Programme / Basic Need Grant	46,883	35,342	22,780	1,451	290	106,747
Social Care & Health Fund	1,225	1,375	1,973	16,782	123	21,478
Private Sector Renewal - Equity Loans	6,708	1,300	350	783	576	9,717
Waste Depot	710	3,000	0	0	0	3,710
Other smaller schemes within the objective	2,751	5,507	1,489	1,114	521	11,382
	58,277	46,524	26,592	20,131	1,510	153,034

Major Programmes & Other Directorate Schemes

Appendix A (ii) continued

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
Investing in New Technology						
Digital Information Service - Full Fibre Network	2,623	6,977	1,020	0	0	10,620
Other smaller schemes within the objective	1,401	1,599	623	15	44	3,682
	4,024	8,576	1,643	15	44	14,302
Supporting the Leeds Economy						
Kirkgate Market Strategy	1,049	4,370	2,800	0	84	8,303
T&D & THI & LOCAN	2,006	1,663	1,900	0	0	5,568
Southbank Regeneration	464	2,198	2,295	0	0	4,957
Supporting the Creative Sector & Tech Hubs	721	2,602	0	0	0	3,323
City Development Public Realm	1,544	1,026	0	0	0	2,571
West Yorkshire Playhouse	1,011	0	0	0	0	1,011
Temple Works	180	0	0	0	0	180
Other smaller schemes within the objective	3,485	8,094	8,285	1,036	0	20,900
	10,460	19,953	15,280	1,036	84	46,811
Central & Operational Expenditure						
PFI Lifecycle Capitalisations	9,389	8,678	11,462	11,980	12,895	54,404
Transformational Change	2,019	4,914	6,480	2,850	2,249	18,512
General Contingencies	0	0	0	7,030	0	7,030
Other smaller schemes within the objective	0	0	0	0	0	0
	11,408	13,592	17,942	21,860	15,144	79,946
Total Major Programmes & Other Directorate schemes	373,182	460,405	353,843	200,782	170,782	1,558,994
Annual Programmes - See Appendix A (i)	63,356	66,787	61,579	48,186	43,453	283,362
Total Annual & Major Programmes	436,538	527,192	415,422	248,968	214,235	1,842,356

Net Increase in funding since February 2020 to end of January 2021

Appendix A (iii)

	Corporate Borrowing £000	Borrowing Supported by Revenue £000	Specific Resources £000	Total Resources £000
24/25 HRA Programme Injections		12,527.4	47,849.8	60,377.2
Annual Programme Injections (see Appendix A iv)	32,700.4		10,252.7	42,953.1
Major Programme Injections (see Appendix A iv)	14,995.0		250.0	15,245.0
Getting Building Fund (Grey to Green) Schemes - Grant / Matched Funding Injections			14,543.6	14,543.6
23/24 + 24/25 LTP Grant Injections			8,522.4	8,522.4
24/25 Capital Maintenance Grant Injection			5,915.5	5,915.5
Injection of WYCA Pothole Grant re Pothole Repairs/Stanningley Bypass			5,542.9	5,542.9
CIL Strategic Fund Injection - Learning Places Programme			4,700.0	4,700.0
Departmental Borrowing Injection re Leeds Town Hall Restoration		3,000.0		3,000.0
Disabled Facilities Grant Injection			2,903.7	2,903.7
WYCA Emergency Active Travel Tranche 2 Grant Injection			2,757.4	2,757.4
Dept Borrowing Injection re Bin Replacement Programme		2,250.0		2,250.0
WYCA WY+TF/CIP2 Grant Injections			2,084.8	2,084.8
Dept Borrowing Injection re SEND Residential Childrens Home		1,850.0		1,850.0
Dept Borrowing Injection re Town Hall Organ Restoration		1,800.0		1,800.0
Injection of WYCA Challenge Fund Grant re Regent St Flyover			1,500.0	1,500.0
24/25 Devolved Formula Capital (DFC) Grant Injection			1,357.8	1,357.8
District Heating Network Adjustments re SPV Arrangements		2,117.1	-944.0	1,173.1
WYCA TCF Grant Injections			1,100.0	1,100.0
Govt Grant Injection re LFAS2			1,090.0	1,090.0
Govt Grant Injections re Otley FAS			897.0	897.0
Departmental Borrowing Injection re Replacement Parks Equipment & Machinery		810.0		810.0
S106 Injection re East Leeds Extension			650.0	650.0
Dept Borrowing Injection re Meals at Home Service		328.0		328.0
Additional WY+TF Grant re A6110 Southern Ring Road Junction Improvements			310.0	310.0
Additional WY+TF Grant re City Connect 3 cycle schemes			215.0	215.0
Highways Agency Injection re M62 J28 Scheme			200.0	200.0
Other			29.2	29.2
Budget Reduction Proposals (see Appendix A v)	-89,941.8	-3,072.6	-95.3	-93,109.7
Net Injections sought as part of this report	-42,246.4	21,609.9	111,632.5	90,996.0
Net Injections with approvals in place	8,633.2	-7,504.5	112,505.2	113,633.9
Total Net Injections in place since February 2020	-33,613.2	14,105.4	224,137.7	204,629.9
Slippage Movements as at 2019/20 Outturn				15,873.3
Net Increase in funding since February 2020 to end of January 2021				220,503.2

Capital Programme Review 2020/21 to 2029/30

APPENDIX A (iv)

Annual Programme Capital Review

	2020/21 £000,	2021/22 £000,	2022/23 £000,	2023/24 £000,	2024/25 £000,	2025/26 £000,	2026/27 £000,	2027/28 £000,	2028/29 £000,	2029/30 £000,	Total £000,
Highways Maintenance	5,700.0	12,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	97,700.0
Highways Maintenance - supported by external funding	5,578.9	47.2									5,626.1
Highways Maintenance Capitalisations	4,600.0	4,600.0	4,600.0	4,022.1	2,800.0	1,800.0	900.0				23,322.1
Highways Bridges & Structures		2,207.7									2,207.7
Highways Bridges & Structures - supported by external funding	0.0	1,300.1	2,700.0	2,656.6	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0	2,700.0	22,856.7
Traffic Management Programme	6.6										6.6
Traffic Management Programme - supported by external funding	200.0										200.0
Highways Section 278	4,848.2	3,895.6	4,640.3	4,323.3	2,100.0	1,400.0	700.0				21,907.4
Highways Section 278 - external contributions / supported by external funding	7.5	0.0	82.7	700.0	1,400.0	2,100.0	2,800.0	3,500.0	3,500.0	3,500.0	17,590.2
General Capitalisation	3,900.0	3,900.0	3,900.0	3,300.0	2,700.0	1,800.0	900.0				20,400.0
Schools Capital Expenditure	3,500.0	3,500.0	3,500.0	2,800.0	2,100.0	1,400.0	700.0				17,500.0
Childrens Centres	26.4	50.0	50.0	100.0	50.0	50.0	50.0	50.0	50.0	50.0	526.4
Adaptations - Disabled Facilities Grants	1,913.1	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	11,534.1
Adaptations - supported by external funding	4,958.2	7,552.7	7,552.7	7,552.7	7,552.7	7,552.7	7,552.7	7,552.7	7,552.7	7,552.7	72,932.5
Vehicle Programme	3,632.2	1,000.0	2,000.0	2,000.0	1,200.0	800.0	400.0				11,032.2
Vehicle Programme - supported by external funding	981.2										981.2
Adaptation to Private Homes	262.6	740.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	470.0	4,762.6
Telecare ASC	479.6	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	5,879.6
General Refurbishment Schools	448.4	300.0	180.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	928.4
General Refurbishment Schools - supported by external funding	445.6	115.0									560.6
Library Books	525.0	525.0	525.0	450.0	300.0	200.0	100.0				2,625.0
Sports Maintenance	102.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1,002.3
Project Support Fund (Groundwork)	65.9				70.0	70.0	70.0	70.0	70.0	70.0	485.9
Project Support Fund (Groundwork) - supported by external funding		70.0	70.0	70.0							210.0
Essential Services Programme	6,033.3	4,230.0	4,210.0	3,230.6	2,500.0	1,700.0	800.0				22,703.9
Digital Development	4,815.3	5,522.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	30,337.3
Corporate Property Management	4,848.9	5,000.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	21,848.9
Fire Risk Assessments	710.4	750.0	750.0								2,210.4
Capital Programme Management	541.4	541.4	541.4	541.4	541.4	541.4	541.4	541.4	541.4	541.4	5,414.0
Civic Hall Backlog Maintenance	103.8	300.0									403.8
Demolition Programme	883.5	1,000.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	5,883.5
Heritage Assets	2,652.1	5,657.2	9,338.3								17,647.6
Capitalisation of Interest	586.0	214.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0	2,400.0
Total Annual Programmes	63,356.4	66,786.9	61,579.4	48,685.7	42,953.1	39,053.1	35,153.1	31,353.1	31,353.1	31,353.1	451,627.0
Climate Emergency	830.2	100.0	100.0	100.0	600.0	600.0	600.0	600.0	600.0	600.0	4,730.2
Climate Emergency - supported by external funding	50.0	600.0	650.0	700.0	250.0	300.0	350.0	350.0	350.0	350.0	3,950.0
Transformational Change to LCC (excl Core Systems Review)	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	15,000.0
PFI Lifecycle Capitalisations	9,389.4	8,677.8	11,462.0	11,980.0	12,895.0	13,395.0	13,895.0	14,395.0	14,895.0	15,395.0	126,379.2
Total Continuing Major Programmes	11,769.6	10,877.8	13,712.0	14,280.0	15,245.0	15,795.0	16,345.0	16,845.0	17,345.0	17,845.0	150,059.4
Total	75,126.0	77,664.7	75,291.4	62,965.7	58,198.1	54,848.1	51,498.1	48,198.1	48,698.1	49,198.1	601,686.4

Budget Reduction Proposals

Appendix A (v)

Directorate	Scheme	2020/21 £000	2021/22 £000	2022/23 £001	2023/24 £002	Total £003	Type of Reduction	Explanation
Adults and Health	05. Social Care & Health Fund	0.0	0.0	0.0	-1,774.8	-1,774.8	Reduction in LCC borrowing provision to alternative departmental borrowing which in future will be subject to spend to save business cases for each digital development.	2021/22 & 2022/23 digital developments are funded from the Better Care Fund grant (see adaptations scheme below) the City Digital Integrated health and care schemes are subject to spend to save business cases.
	08. Adults & Health (Other Schemes)	-394.0	150.0	200.0	0.0	-44.0	Deletion of residual uncommitted LC borrowing	Direct contribution to savings target
Adults and Health Total		-394.0	150.0	200.0	-1,774.8	-1,818.8		
Children and Families	09. Learning Places Programme / Basic Need Grant	0.0	0.0	-20,000.0	0.0	-20,000.0	This reduction is a swap in funding. LCC borrowing injected will be repaid by additional grant announced for that year.	£20m of LCC Borrowing previously injected into the capital programme to cashflow this programme of works will be able to be repaid in 2021/22 from the announced £65.2m Basic Need Grant Allocation to be received that year. This £1m pa annual programme supplements the Capital Maintenance Programme for which an annual grant allocation is received. In 2020/21 this allocation amounted to £5.9m and the Government confirmed on 05/08/20 that an additional £2.7m would also be provided. C&F will re-prioritise future works programmes within the available external funding secured.
	113. General Refurbishment Schools	0.0	-1,000.0	-1,000.0	-1,174.1	-3,174.1	This is a reduction in LCC funding with the programme now being delivered through grant only.	This is a proposed reduction to remove the Care Leaver Hub scheme that was initially approved as part of the 20/21 budget decision.
	13. Children & Families (Other Schemes)	-300.0	-450.0	0.0	0.0	-750.0	This is a reduction and will contribute to the directotes debt saving proposals.	
Children and Families Total		-300.0	-1,450.0	-21,000.0	-1,174.1	-23,924.1		
City Development	101. Highways Maintenance	-2,150.0	-3,000.0	-3,000.0	-3,000.0	-11,150.0	23% reduction year on year however this could be offset by bringing in additional work, government grant or other external funding. This LCC borrowing reduction will leave the Local Transport plan funding grant to enable works on bridges and structures year on year allowing us to fulfill our statutory duties.	While this reduction is needed as part of the overall directorate savings target, securing new works and external funding could replace the reductions over future years. Reprioritise within existing funding.
	103. Highways Bridges & Structures	-1,500.0	-1,500.0	0.0	0.0	-3,000.0	This is a reduction of LCC borrowing. Swap with other funding alternatives.	While this reduction is needed as part of the overall savings target securing new works and external funding could replace the reductions over future years.
	104. Traffic Management Programme	-200.0	-200.0	0.0	0.0	-400.0	A reduction of £251k in the ELOR discretionary land purchase scheme leaving £2m to complete the scheme.	These schemes are small and targeted and we should be using other funding alternatives to deliver.
	15. East Leeds Orbital Road (ELOR)	-251.1	0.0	0.0	0.0	-251.1	This reduction was attached to the challenge fund bid for Stanningley bypass which was unsuccessful.	A reduced amount of £2m to complete the purchase of discretionary land purchase remains in the scheme and we expect this provision will be enough to complete on all purchases. We have a statutory obligation to meet compensation payments.
	22. Network/Junction Improvements	0.0	-2,000.0	0.0	0.0	-2,000.0	Slippage only. Transfer to future years.	While works are needed to the scheme alternative funding must be found in order to complete these works.
	23. City Ctre Vehicle Access Restrictions	0.0	-657.0	657.0	0.0	0.0	This reduction is a WYCA grant funding swap with LCC borrowing of £20.4m.	Slippage only. Transfer to future years.
	24. Regent Street Flyover	-12,000.0	-8,400.0	0.0	0.0	-20,400.0		This scheme is reliant on WYCA agreeing to release grant funding which will allow us to take out the LCC borrowing of £20.4m. This scheme is the number one priority of the West Yorkshire + Transport Fund.
	24. Regent Street Flyover	-1,500.0				-1,500.0		To date WYCA have agreed to release £1.5m of Challenge Fund Grant.
	38. Southbank Regeneration - Sovereign Street Bridge	-2,572.3	-900.0	0.0	0.0	-3,472.3	This scheme is now funded from government grant as part of the shovel ready schemes getting building fund.	This reduction is for Sovereign Street bridge and we have recently received £3.7m of funding from the governments "getting building fund" which allows us to take the borrowing out.
	115. Sports Maintenance	-729.1	-400.0	-400.0	-400.0	-1,929.1	A reduction in the annual programme was proposed and a review of our historic heritage buildings assets will take place as part of the overall asset rationalisation workstream.	City development are reprioritising their programmes taking account of the target savings reductions asked of the directorate.
	124. Heritage Assets Parent	-409.4	-500.0	-1,000.0	0.0	-1,909.4	Slippage only. Transfer to future years.	We will look at the provision for future years Heritage Asset programme once the asset rationalisation workstream is complete.
	124. Heritage Assets Town Hall Refurb	-2,000.0	-2,000.0	4,000.0	0.0	0.0	Savings on scheme	Slippage only. Transfer to future years.
	30. Strategic Investment Fund Acquisitions	-14.6	0.0	0.0	-760.4	-775.0	The Local Centres Programme has undertaken a substantial review since the figures reflected at Sep EB shown, with revised savings of £2.7m from the original £4.6m taken from the existing programme.	The Local Centres Programme after review is detailed in a separate report on this boards agenda with revised figures now reflected in the full programme in anticipation of approval at Full Council.
	32. Local Centre Programme, TDR & THI	-1,926.5	-2,648.5	0.0	0.0	-4,575.0	This reduction represents a reprioritisation of the annual programme within City Development	City development are reprioritising their programmes taking account of the target savings reductions asked of the directote.
	33. Supporting the Creative Sector	0.0	-740.0	0.0	0.0	-740.0	This reduction represents a reprioritisation of the annual programme within City Development	City development are reprioritising their programmes taking account of the target savings reductions asked of the directote.
	34. City Development Public Realm	0.0	-250.0	0.0	0.0	-250.0	This scheme is complete and this is the estimated savings from the scheme.	This scheme is complete and this is the estimated savings from the scheme.
	35. Red Hall Demolition	-700.0	0.0	0.0	0.0	-700.0	Proposed	
	36. Temple Works	-570.0	0.0	0.0	0.0	-570.0	This reduction is based on the current staffing resources of the team so assumes no vacancies will be filled.	Due to the current pandemic and finance position of the council no vacancies will be filled for the foreseeable future.
	40. Leeds Integrated Station Masterplan (LISM) & HS2	-200.0	-2,500.0	-500.0	0.0	-3,200.0		

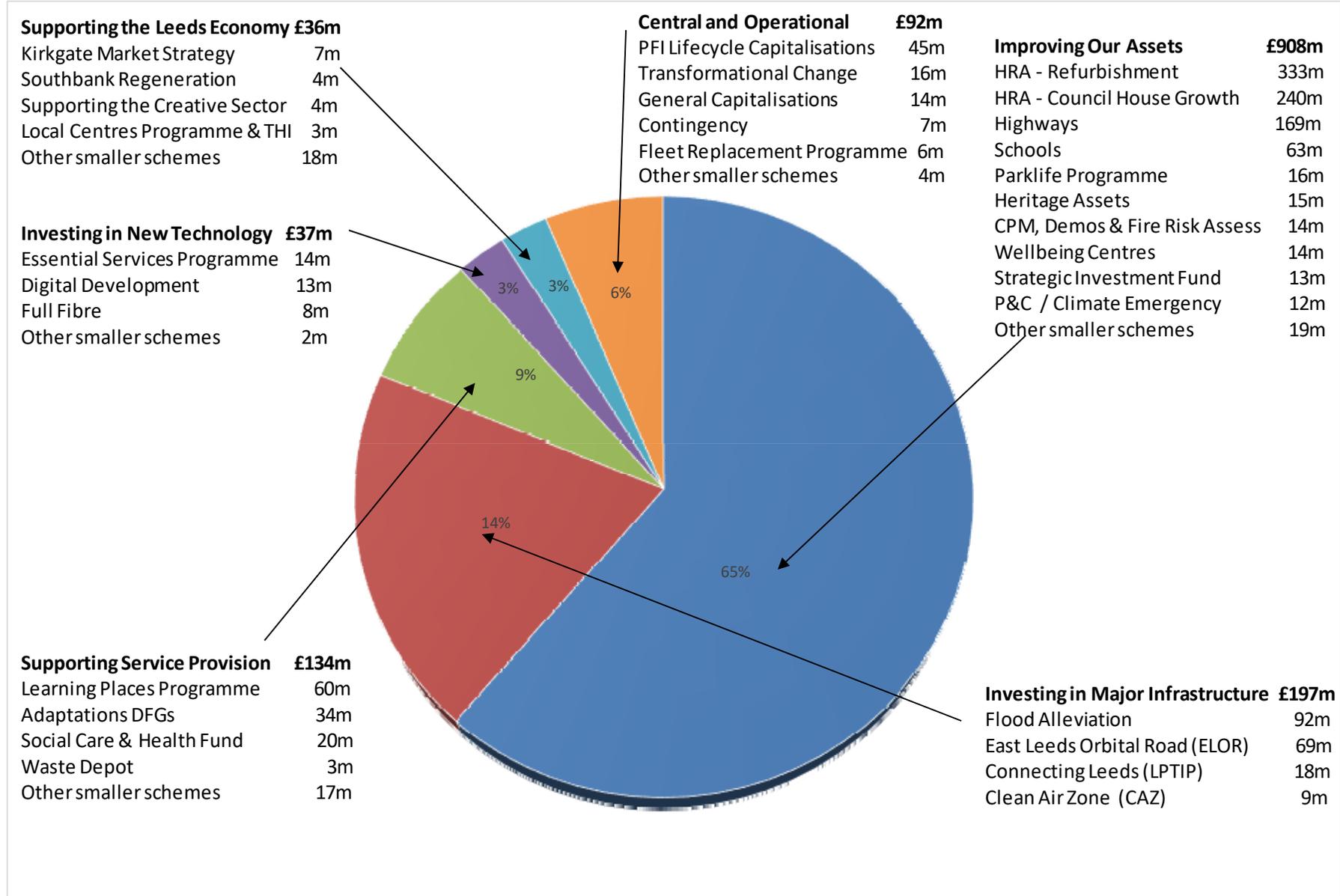
Budget Reduction Proposals

Appendix A (v) continued

Directorate	Scheme	2020/21 £000	2021/22 £000	2022/23 £001	2023/24 £002	Total £003	Type of Reduction	Explanation
	41. Fearnville Leisure Centre	-2,194.6	-9,959.4	12,154.0	0.0	0.0	Slippage only. Transfer to future years. However we need to establish how the business case stands up given the COVID19 mitigation moving forward.	Slippage only. Transfer to future years.
	43. City Development (Other Schemes Non-Highways)	-1,069.6	-57.1	-654.0	0.0	-1,780.7	Deletion of residual uncommitted LC borrowing	Direct contribution to savings target
City Development Total		-28,487.2	-35,712.0	11,257.0	-4,160.4	-57,102.6		
Communities, Housing and Environment	114. Library Books	-175.0	-175.0	-175.0	-150.0	-675.0	25% reduction in provision from £700 to £525k in line with revenue proposals	Reduce the no. of libraries/hubs based on demand/geography. Cease mobile library provision.
	116. Project Support Fund - Groundwork	-70.0	-70.0	-70.0	-70.0	-280.0	This reduction will reduce LCC funding. Finding swap to be identified.	The scheme involves significant contributions from private sector into a number of schemes around the city.
	56. Parks & Countryside Schemes	-600.0	0.0	0.0	0.0	-600.0	This reduction represents a reprioritisation of some schemes within P&C to contribute to debt savings within the capital programme. Funding swaps to be identified.	The proposal includes a number of schemes being deleted from the programme in line with the prioritisation of C&Es current programme.
	57. Climate Emergency	0.0	-500.0	-500.0	-500.0	-1,500.0	Alternative funding solutions to be found.	To identify existing schemes where S106 funding would substitute corporate borrowing.
	59. Community Hubs Programme	-190.0	-2,380.0	0.0	0.0	-2,570.0	Reduction in programme	This reduction will reprioritise sites within existing investment
Communities, Housing and Environment Total		-1,035.0	-3,125.0	-745.0	-720.0	-5,625.0		
Resources	109. Adaptations - Disabled Facilities Grants	-1,800.0	-1,800.0	0.0	0.0	-3,600.0	Transfer government grant funding to Adult & Social Care Fund	This is part of the Better Care Fund grant (£1.8m of the £7.3m annual grant) received where in consultation with Leeds CCG we contribute to schemes as part of the City Digital Integrated health and care schemes. These schemes will be spend to save and this BCF grant will stay as part of the adaptations scheme.
	110. Vehicle Programme	-4,698.2	-3,000.0	-2,527.3	300.0	-9,925.5	The Fleet review has allowed us to reduce the programme and reprioritise.	A full review has taken place of the fleet resulting in a new cashflow which has allowed us to reprioritise when we replace the fleet. Future provision is under review and will be reported once complete. All replacement vehicles to be reviewed to identify only those which require significant ongoing maintenance. Exercise is underway to identify net revenue savings through non replacement.
	118. Digital Development	-300.0	-300.0	-2,500.0	-2,500.0	-5,600.0	This is a 50% reduction in 22/23 and 23/24 to the programme and has allowed us to reprioritise this within the existing programme.	Supporting the overall council programme to deliver efficiencies and deliver long term savings by the use of technology. The Applications/Compliance programme will ensure all systems and applications are compliant. Risk is that new work does not materialise and staffing reductions have not occurred.
	119. Corporate Property Management	-534.5	0.0	0.0	0.0	-534.5	This is a reduction which will mainly affect external contractors and will contribute to the debt savings target.	To compensate the loss in income to LBS other work will be procured from within the existing capital programme.
	121. Capital Programme Management	-34.0	-34.0	-34.0	-68.0	-170.0	This is a reduction which will contribute to the debt savings target.	Reduction in staffing charges of the team that delivers the capital finance across directorates.
	123. Demolition Programme	-500.0	-500.0	-500.0	-500.0	-2,000.0	This is a reduction to match historical spend and will contribute to debt savings target.	This programme will now come in line with expected demolitions in year with a review for future years taking place.
	44. Energy Efficiency	-33.6	-25.0	-25.0	-77.2	-160.8	This reduction is savings on two schemes.	Historical funding that has been rolled forward and reprofiled due to current demand.
	45. Digital Information Service - Full Fibre Network	0.0	-1,600.0	1,600.0	0.0	0.0	Slippage only. Transfer to future years.	Will be key to keeping city connected, hope is to grow the service and bring in saving by providing services to schools and saving for health partners. Will bring savings by reduced external connectivity charges. Full details on business case. Will allow us to keep existing schools on ICT4Leeds and the income they bring into DIS
	47. Private Sector Renewal - Equity Loans	300.0	-50.0	-50.0	-120.0	80.0	Net increase in budget of £80k	Create a budget for the localities team in 2020/21 £350k and this team will become a part of the Adaptations delivery from 2021 onwards. Also a review of the empty home loans scheme has allowed us to reduce the scheme by £270k based on demand.
	49. Resources (Other Schemes)	-22.7	0.0	0.0	-101.2	-123.9	Deletion of residual uncommitted LCC borrowing	Direct contribution to savings target
Resources Total		-7,623.0	-7,309.0	-4,036.3	-3,066.4	-22,034.7		
Strategic Accounts	106. General Capitalisations	0.0	0.0	0.0	325.1	325.1	This is an increase in budget in 2023/24 needed to match revenue assumptions.	This is an increase in budget in 2023/24 needed to match revenue assumptions.
	125. Capitalisation of Interest	-29.6	-100.0	-100.0	-100.0	-329.6	A review of the scheme has led to reductions to match revenue assumptions	A review of the scheme has led to reductions to match revenue assumptions
	50. Changing the Workplace	-750.0	-750.0	0.0	0.0	-1,500.0	This is a reduction which will affect LBS who mainly deliver this programme however future schemes will be spend to save based on robust business cases.	This programme is mainly linked to our asset rationalisation programme which will deliver savings across the directorates. To compensate the loss in income to LBS other work will be procured from within the programme.
Strategic Accounts Total		-779.6	-850.0	-100.0	225.1	-1,504.5		
Original Proposals		-38,618.8	-48,296.0	-14,424.3	-10,670.6	-112,009.7		
Amendments	24. Regent Street Flyover	10,500.0	8,400.0	0.0	0.0	18,900.0		
Grand Total		-28,118.8	-39,896.0	-14,424.3	-10,670.6	-93,109.7		

Major Schemes contained within each Objective 2021-2025 (Pie Chart)

Appendix B (i)



Major schemes contained within each Objective 2021-2025 (Narrative)

1. Improving our Assets

Housing Revenue Account (HRA)

Council Housing Refurbishment Programme

The service is working with agility to generate inward investment through government grants to supplement the existing capital programme, these have acted as powerful catalyst and enabler for delivering a more ambitious programme of investment activity to improve the HRA estate. The focus of planned investment activity is aligned to the council's priorities and all projects will contribute directly to one or more of the following:

- Tackling fuel poverty
- Promoting Inclusive Growth
- Improving health, safety and wellbeing
- Decarbonisation of council homes

The Housing Leeds and BITMO refurbishment programmes provide for £327m over the coming 4 year period. New capital investment proposals will be prioritised as follows:

High Priority

- Energy efficiency programmes– Improving the thermal performance of homes through the use of 'Green' technology - district heating clusters/ Air Source and Ground source heating projects
- Regeneration activity in Priority neighbourhoods and estates - Re-roofing and EWI (External Wall Insulation) schemes with associated environmental improvements to improve Place and Space
- Health, Safety and Wellbeing - Fire Stopping , Sprinkler Installation, Concrete repairs, Statutory compliance, Adaptations and Disrepair reduction projects

Medium

- Maintaining Decency (Regulatory) standards across the HRA estate
- Infrastructure in High Rise - heating, electrics, lifts, drainage and refuse chutes and lifecycle replacement (Boilers)

Desirable

- Environmental and estate improvements fencing, paths, garages demolition, commercial properties
- Investment un-adopted land and car parking
- Retirement Life projects

Council Housing Growth Programme

The Council House Growth Programme represents an opportunity to drive regeneration in some of the city's most deprived wards over the coming years, providing employment and skills opportunities and also helping to address derelict / problem sites and potentially supporting the re-configuration of existing / problematic stock holdings.

Executive Board approved the 2019-22 programme of new build general needs council housing on 21st November 2018 which included an initial programme of around 358 homes and committed to deliver 300 homes per year. The current programme has grown to 825 homes at various stages of development with over 450 homes awaiting planning approval and likely to start on site during the 2021/22 financial year. Further sites are being sought to meet the programme targets. The homes will all be built to very high standards in terms of space, quality and design and will let at affordable rents which are around 60% of market rent levels and no greater than 30% of local average incomes.

An acquisitions programme comprising buy back of ex-right to buy properties and new build homes from private developers has identified over 150 homes at various stages with funding in place for up to 300 homes over the next few years.

General Fund

Highways - Annual Maintenance and Specific Targeted Funded Programmes

The Highways annual maintenance programmes over the next 4 years provides for £87m to address backlog maintenance on district roads/ streets/ Bridges along with our S278/S106 obligations. Specific funding is also provided for major schemes in the Local Transport Plan (LTP) £24m, Street lighting replacement LEDs £22m, Regent Street Flyover with £16m remaining, transport package £10m, Network Junction improvements £6m, Armley Gyrotory and other smaller schemes £11m.

Schools - Capital Maintenance and Devolved Formula Capital

These programmes currently include estimated future grant allocations up to 2024/25 of £5.9m and £1.4m respectively based on 2020/21 funding allocations. The next schools capital funding announcement is expected in the spring, and funding estimates that are already included in the programme will be updated as necessary. Also included within this area of the capital programme is the £28.5m rebuild of Benton Park High School. The School Condition Allocation will continue to be utilised to fund a rolling 5 year Planned Maintenance Programme to address the highest priority condition works within maintained schools, Foundation (Trust) schools and children's centres on school sites with the ambition to keep them safe, warm and watertight. The Council will continue to work with schools to ensure they fully utilise the Devolved Formula Capital allocations to exercise their statutory duties in implementing good estate management of school buildings.

A national announcement is imminent from the DfE to confirm which 50 schools will be included in the first tranche of the new ten-year School Rebuilding Programme. This programme will be the DfEs primary capital funding route for rebuilding projects at schools in the poorest condition.

Parklife Programme

The Fullerton Park and Woodhall schemes have both been completed to the end of RIBA Stage 3 and have achieved planning approval, following two very supportive public consultation sessions. LCC have agreed a funding package with the Football Foundation that will see the council contribute £4.6m towards a total package of capital investment of £18.3m for the Fullerton and Woodhall scheme. Upon receipt of planning approval the schemes will be tendered and submitted to the Exec Board for

consideration, prior to submission to the Football Foundations Board in early summer 2021. The Fullerton Park scheme is currently estimated at £10.6m and includes the introduction of an air-dome over the 9v9 pitch, funded by Leeds United, which will provide facilities that will be used by the Leeds United Foundation as well as the local community. A review of the Fullerton Park scheme is taking place at present to ensure that the Parklife programme does not prevent any future expansion of the Leeds United Football stadium. The Woodhall scheme is looking to add in some alternative sporting facilities such as outdoor park activity stations, to enable people to do fitness training whilst running around the park, a young person's play area and wildlife habitat improvements. The current estimate for the project is £7.7m.

Heritage Assets - Town Hall

As a significant heritage asset, the Leeds Town Hall is in need of essential restoration and upgrading. The programme has now progressed to Design Stage 3, to be approved by the Project Board in February. Consultations have taken place with Leeds Civic Trust, the Victorian Society, the Disability Hubs, LCC access, conservation and building control officers to ensure the proposals are in line with relevant regulations and guidelines. The current programme envisages construction commencing in the autumn of 2021 and completing in the final Quarter of 2023. This report includes an £3.0m injection of departmental borrowing to supplement the original £10.0m budget, to be funded from increased income derived from the refurbished building when it reopens.

In addition to this significant scheme to refurbish and restore the building, work will also commence on a separate project to restore the Leeds Town Hall organ (the previous restoration of the organ was in 1971). This report includes an £1.8m injection of departmental borrowing to be funded by funds raised from Trusts and Foundations, Patrons Schemes, Corporate Members Schemes and a Town Hall ticket levy.

Corporate Property Management, Demolition and Fire Risk Assessments

Our annual Corporate Property Management, Demolitions and Fire Risk Assessment programmes will deliver £14m of works over the next 4 years. The demolition programme is essential for the removal of dangerous buildings and, in turn, provides scope for economic growth by enabling the opportunity for new developments.

Works identified following Fire Risk Assessments are required to ensure compliance with legislative requirements and to discharge the Council's legal and statutory obligations for management of fire safety within the Civic estate. These works also contribute to the Best Council Plan by keeping staff and public safe from harm and protecting their health and wellbeing. The forthcoming financial year include completion of works at the Town Hall, Temple Newsam and Leeds City Library and Art Gallery. These works will improve the levels of compartmentation (reducing the spread of fire in the building), protect the means of escape and, where necessary, upgrade fire alarms.

The backlog maintenance programme will address outstanding works in buildings such as sports centres, parks facilities, homes for older people, social care day centres, community centres, children's centres, libraries, community hubs, visitor attractions and operational buildings used as office accommodation by LCC staff. Investment in the operational estate is required to maintain properties and prevent them from falling into a state of structural disrepair, maintain market values, and to achieve a number of the

Council's priorities. Work under the programme is proactive and should help ease pressure on the revenue maintenance budget.

Wellbeing Centres

This programme primarily relates to the construction of a new Wellbeing Centre to replace the existing Fearnville Leisure Centre. The Leisure Centre is life expired, the building design and layout is outdated and the facilities are not fully accessible as a result. It cannot offer a modern sporting programme to the community, is underutilised compared to other similar spaces, and is not achieving its potential revenue capacity. The replacement Wellbeing Centre has been paused for a period of 18 months due to funding pressures / the Covid pandemic and it is anticipated that it will start on site spring 2022 with completion early 2024. The capital programme currently includes £14.4m of LCC Borrowing to progress the scheme whilst the full funding package is compiled. It will be built on land adjacent to the existing Leisure Centre allowing the existing centre to remain open where possible. The new centre will include one large and one small swimming pool with splash pad, general sports halls (2 court), studios and fitness gym along with a café facility and a purpose designed support area for Adults and Health. Following completion of the new Wellbeing Centre, the existing building is to be demolished and the land given alternative sport related use.

Strategic Investment Fund - (George Street development)

In light of the implications of Covid-19 on the property market, Town Centre Securities (TCS) who are the preferred bidder for the George Street Development, have decided to write down their costs incurred and to not proceed with the proposed development of an apart-hotel on George Street in the manner previously proposed. Against this background, the Council is exploring alternative delivery mechanisms and development proposals with TCS where there is opportunity to grow value and income, which in the current market would be more attractive to potential funders. TCS have been advised that they have until the middle of February to confirm their position, to enable Council to consider its position and determine the way forward.

Parks & Countryside Schemes / Climate Emergency

In March 2019 a climate emergency was declared in Leeds with the stated ambition of working towards a net zero carbon city by 2030. In February 2020 the Leader of Council announced that the woodland creation programme (agreed at Executive Board in January 2020) would double with 1,260 hectares of council land identified over a 25 year period with a target to plant 6 million trees. Over the winter of 2020/21, 225,000 trees will have been planted as part of this programme on parks and green spaces. Over the next 4 years, £2.4 million will be allocated from the capital programme to plant a further 50 hectares each year. This will play an important role in mitigating the effects of climate change, as well as benefit pollinators, wildlife and enable people to connect with nature with enhanced recreation value.

2. Investing in Major Infrastructure

Flood Alleviation

Capital programme funding primarily relates to Phase 2 of the Leeds Flood Alleviation Scheme which employs a 2-Step approach. Construction works commenced in December 2019 on Step 1 and are progressing well. Measures include natural flood management, conveyance improvements and linear defences in the area upstream of

Leeds train station. Funding for Step 2 has now been secured and planning permission submitted for a flood attenuation area at Calverley and defence walls at Apperley Bridge. Once completed by summer 2023, both Steps combined will deliver a 1 in 200 year standard of protection including allowance for climate change to 2069 for river flooding on the Aire in the Phase 1 and Phase 2 areas of Leeds. This report includes an £1,090.0k injection for this scheme; £500.0k from the Yorkshire Regional Flood & Coastal Committee (YRFCC), £340.0k from Highways England, and £250.0k from the Department for Education. Smaller flood alleviation schemes at Killingbeck Meadows, Otley and Mickletown are also provided for. (this report includes an £897.0k injection for the Otley scheme; £664.0k from YRFCC and £233.0k from the Environment Agency)

East Leeds Orbital Road (ELOR)

The Council continues to make good progress in the delivery of a package of transport measures that will be essential to support the development of the East Leeds Extension strategic growth area. The 7km road would unlock the potential to build up to 5,000 new homes in the East Leeds Extension and support the wider housing and economic growth of East Leeds. Business cases for part funding of the scheme through the West Yorkshire Transport Fund have been submitted and approved by the Combined Authority including an increase in funding to a total of circa £90m. The Council is continuing to assume prudential borrowing to meet the initial gap between the available funding and capital cost of the scheme, to be eventually reimbursed through contributions from house builders as dwellings are completed.

Connecting Leeds (LPTIP)

The Connecting Leeds team, comprising of seven public and private sector organisations, is working collaboratively to deliver transformational change to the public transport system in Leeds as well as walking and cycling infrastructure. At the regular update meetings, the DfT continue to express very positive feedback on the progress of the programme and acknowledge how we have managed to put together an ambitious programme, get local consensus from stakeholders and deliver a cohesive package of measures in very challenging circumstances particularly over the last 10 months. They regard this programme as an exemplar and the forerunner for the Transforming Cities Fund which is being rolled out nationally with similar time constraints and challenges.

A robust prioritisation approach has been applied and continually reviewed during the scheme development process to support decision making regarding the prioritisation of funding within and between all Connecting Leeds (LPTIP) packages.

LCC are delivering the Bus Infrastructure package which accounts for £170m of the programme with spend to date surpassing £100m and includes :-

Schemes completed: A660 Holt Lane, A647 Gloucester Terrace
A61 Moortown corner, A58 York Street & St Peters Street
Elland Road Park and Ride extension

Schemes currently under construction:
Stourton Park and Ride
Headrow Gateway – due for completion Spring 2021

Infirmiry Street / Park Row Gateway – due to be completed early 2021 and Corn Exchange Gateway
A61 South corridor, A65 signal improvements,
A660 signal improvements at numerous junctions
A61 North (Harewood), A647 corridor, Meadow Lane
A61 North (Wigton, Potternewton Lane) to start spring 2021
Temple Green Park and Ride extension to start spring 2021

Schemes that have been developed within Connecting Leeds (LPTIP) with potential alternative funding identified:

A58 corridor (Roundhay Road), A61 North (Scott Hall Road),
A61 South (Stourton to Wakefield), A660 Headingley Hill,
A660 Lawnswood.

WYCA are delivering the Bus Delivery and Rail packages which accounts for £47m of the total programme.

Clean Air Zone (CAZ)

The Clean Air Zone scheme delivered the installation of a network of ANPR cameras with inner and outer cordons. A number of these cameras will be used to monitor traffic and air quality data for the next 24 months, Central Government are providing funding for this from the Implementation Fund. Any unspent Implementation funding will be returned to Central Government.

There are currently discussions ongoing with other Council services and West Yorkshire Police regarding the potential to repurpose the rest of the ANPR network subject to VFM and available funding.

3. Supporting Service Provision

Learning Places Programme

Basic Need Grant allocations for 2020/21 and 2021/22 have previously been confirmed at £130k and £65.2m respectively. The next schools capital funding announcement is expected in the spring when the capital programme will be updated accordingly.

Continuing capital investment is required to meet the growing demand for learning places across Leeds, particularly secondary and special education need (SEN) places. There is an identified need for 43.5 forms of entry (1,305 places) of secondary capacity to meet demand for September 2021 and a further 21.7 forms of entry (651 places) forecast to be needed for September 2022. Proposals have also been brought forward to create new SEN provision for 2021 and 2022 at several education sites across the city, anticipated to create the hundreds of additional SEN places needed to meet rising demand. The capital programme includes provision to build the new East Leeds Free School (£33.8m), along with schemes at Allerton Grange High School (£7.2m), Cockburn Multi Academy Trust (£6.8m), and the 'Woodhouse Learning' campus of the West Oaks SEN Specialist School and College (£10.0m).

The Learning Places funding deficit is currently estimated at £34.7m, with the deficit projected to first arise in 2020/21. As such, this report includes an £4.7m injection of Community Infrastructure Levy (CIL) Strategic Fund monies to assist in cashflowing the expected programme of works during 2020/21. The council has previously injected

£20m of LCC Borrowing and £15m of CIL Strategic Fund monies to assist the cash flow position. The budget reduction proposals included in this report allow for the £20m repayment of LCC Borrowing from the 2021/22 Basic Need Grant allocation.

Adaptations (Disabled facilities private sector)

The general fund adaptations programme has funding of £34.5m across the next 4 years. This supports in the region of 800+ grants for adaptations per year. A further £2.2m is provided in total for smaller adaptations to private homes to support more people to remain independently in their own homes.

Social Care and Health Fund

Work continues with colleagues from the Health sector to bring forward schemes designed to fulfil requirements and further develop initiatives at the local level.

Waste Depot

The scheme has achieved full planning permission and gained the support and approval from Executive Board in November 2020. The project will commence on site early February 2021 and see the development of a three storey office and workshop accommodation that can fully bring together the Waste Management service and Cleaner Neighbourhoods Teams. The site will include parking for all of the city's Refuse Collection Vehicle (RCV) fleet as well as up to 38 Cleaner Neighbourhoods' vehicles. The site has the ability to power up to 20 electric RCV vehicles and all the smaller electric LCC Waste Management fleet vans, to assist with reduction in air pollution. To add further to the projects green credentials, it will include a green living wall, be filled with low energy consumption technology and produce over 15% of all energy used on site with solar technology. The building will also be compliant with a Breeam Excellent rating meaning it will be in the top 5% of all buildings for environmental impact.

4. Investing in New Technology

Essential Services Programme

The Essential Services Programme enables the council to continuously refresh and upgrade critical ICT infrastructure (computer hardware and software) in advance of obsolescence and to avoid major failure. The programme scope includes building a major new platform that will replace previous, end of life server, network and storage infrastructure. Investment will also be made in 'Cyber Security' solutions to help ensure that the ongoing threats to our information and systems are minimised as well as the replacement of a significant number of aging Personal Computers.

Digital Development

The Digital Development project is to fund the development of reusable digital capabilities and solutions to modernise or support the achievement of process efficiencies, business system standardisation and simplification, and ensuring systems meet users / citizen needs. It includes the Applications Refresh Programme which focusses on ensuring that the council's 500+ systems / application estate is safe, secure and compliant by meeting statutory and regulatory requirements. It will also drive savings and efficiencies and the development of a long-term plan for the rationalisation, replacement, modernisation and management of the Council's portfolio of applications.

Full Fibre Network Programme for Leeds -LCC has set out an ambition for all premises across the district both residential and commercial, to be able to access gigabit capable services. The scheme will provide full fibre connectivity to schools, council flats and CCTV point from which fibre providers will expand their networks into localities. It also has the potential to provide Leeds with the largest full scale fibre gigabit network in the UK outside of London and will assist in attracting new business to the area, increasing regional GDP, reducing the City's carbon footprint and helping to address issues of digital and social exclusion. A contract with a partner organisation has now been awarded, they are currently building out the Full Fibre network in Leeds and will be responsible for the service delivery, ensuring the provision of the greatest amount of coverage, coupled with the opportunity to extend connectivity further with commercial investment.

5. **Supporting the Leeds Economy**

Kirkgate Market Strategy

Design proposals for phase 1 works to reinstate/refurbish a number of the blockshops in the 1875 part of the Market and to provide safe access to the roof areas above to address on-going issues of rainwater ingress have been developed to RIBA Stage 3. It is envisaged that the Planning and Listed Building applications for the proposed works will be submitted in March 2021, with works currently scheduled to commence on site in July 2021, to be complete by mid November 2021. Subsequent phases of work will progress as traders are decanted to vacant units elsewhere in the Market. There has been a delay in progressing the development of the shopper's car park on part of the Outdoor Market as officers working on the project were diverted to work on Covid-19 related projects. Action is now being taken to address issues raised by the Local Planning Authority, sufficient to allow the planning application to be determined.

Southbank Regeneration

The Council has recently secured £8.6m of Get Building Fund moneys, matched with Council feasibility funding from the capital scheme, to deliver Sovereign Square Footbridge, a major new green space at Meadow Lane by repurposing surplus highway from associated Connecting Leeds (LPTIP) works and the downgrade of Crown Point Road to be more pedestrian focussed. These three infrastructure projects are to complete by March 2022, and will form part of Aire Park; helping to unlock multi-million pound private sector development, green space and enhanced connectivity within one of the largest new city centre green spaces in the UK.

Further, the Council is progressing its work with CEG and British Library on a British Library North at Temple Works, with £25m secured through devolution and an Executive Board paper to follow later this year. Lastly, the Council is considering how it may utilise its land to stimulate further development and regeneration at its Armouries Drive site, including a land assembly strategy.

More broadly, the regeneration strategy for South Bank is gathering major momentum, with third party Grade A commercial developments due to start in the next quarter as well as new residential schemes at sites such as Tower Works.

Supporting the Creative Sector – TV & Film Studios

Leeds Studios will open in spring 2021; the 130,000 sq ft development will offer high quality production space on the site of the former Polestar Petty printworks on Whitehall Road. It will consist of 68,000 sq ft of premium sound stages and over 60,000 sq ft of flexible production office and service space, including prop stores, workshops, and makeup and costume facilities. Once complete the studios will more than double the existing amount of production space in Leeds.

Leeds Studios is a joint-venture between All Studios, operators of the Manchester Studios complex (formerly Granada/ITV studios in the city) and Leeds based Prime Studios. The project has been supported by Leeds City Council, with a shared vision to deliver high-quality production spaces in growing city regions across the UK. The council has worked closely with the project team to help secure the space and offer a loan for acoustic solutions on the property.

The Creative and Digital workspace fund set up at July 2019 EB provided match funding for MAP charity's ESIF bid and the Council's work with Leeds Media Centre to secure new investment into Chapel Town. Both the Council's application for ESIF for Leeds Media Centre and MAP's application to the same scheme have been confirmed successful. This builds on grants provided to East Street Arts for the new Art Hostel, with the Hostel due to open in the first quarter of 2021.

Local Centres & Townscape Heritage Initiative (THI) Programmes

The Local Centres Programme was established as a further £5m programme of Capital works to support the regeneration of local centres across Leeds, alongside existing injections in the capital programme to support delivery of legacy projects related to the programmes set out above. In September 2020 the Council's Executive Board agreed to a review of the remaining capital allocations for local centres work, with a view to making savings to contribute to the overall savings required in the Medium Term Financial Plan.

Accordingly, a review of those legacy commitments has been undertaken and the schemes within the Local Centres Programme have also been reviewed against a range of criteria to determine the scope for savings. These criteria comprise the current level of detail that the project has reached, the amount of match funding leveraged through the scheme, the extent to which projects are self-funding and whether they are located in Priority Neighbourhoods.

Based on these criteria a revised Local Centres Programme is put forward which is detailed in a separate report to this board.

6. Central and Operational

PFI Lifecycle Capitalisations

This programme is fully funded by Leeds Resources. Prior to 2018/19 the council chose to fund its capital expenditure on lifecycle costs by applying an element of PFI grant to capital to fund them. The Council now funds its PFI lifecycle costs by borrowing and applies appropriate MRP charges, based on useful life of capital spend.

Transformational Change

Legislation provides for the flexible use of capital receipts to fund revenue transformation projects. This funding contributes to funding redundancy costs arising from the Early Leavers Initiative (ELI) and transformational ICT projects such as the Core Systems Review.

General Capitalisations

This is an annual programme that has primarily been used to fund the purchase of short term assets such as ICT and furniture and equipment and has helped relieve pressure on scarce revenue resources. From 2023/24, along with other capitalisations, capital programme provision will start to reduce over a 5 year period as reliance on capitalisations to support the revenue budget is reduced.

Contingency

The capital programme includes a £7.3m central contingency to deal with unforeseen circumstances. Calls against this provision are managed by the Strategic Investment Board. Individual programmes and schemes will also contain a risk provision for unexpected circumstances.

Fleet Replacement Programme

The council's fleet replacement and improvement plan continues to place us at the forefront of new technology and shows that as a council we are prepared to show environmental leadership. The electric vehicle scheme and all the planned electric vehicle infrastructure present an exciting opportunity for the city to establish itself at the forefront of electric vehicle growth, helping local businesses to adopt to the latest technologies whilst supporting further improvements in air quality.

The updated programme provides funding for completion of the electric vehicle charging point infrastructure which will contribute to tackling the climate emergency and also enable savings to be generated through increasingly switching our fleet to electric.

Through working in collaboration with services and taking a more robust review of fleet vehicles which may need replacing, the updated replacement programme seeks to maximise the life cycle of each vehicle so that demand on capital and revenue resources can be reduced

Statement of Policy on the Minimum Revenue Provision for 2021/21

1. Introduction

- 1.1. The Council is required by statute to charge a Minimum Revenue Provision (MRP) to the General Fund Revenue account each year for the repayment of debt. The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council tax payers.
- 1.2. Since 2008/09, the legislation has simply required local authorities to make a prudent level of MRP provision, and the government has issued statutory guidance, which local authorities should 'have regard to' when setting a prudent level of MRP. The guidance says that the broad aim of a prudent MRP policy should be to ensure that debt is repaid over the period over which the capital expenditure is expected to provide benefits (or, for supported borrowing, the period assumed in the original grant determination). Within this overall aim, the guidance gives local authorities considerable freedom to determine what would be a prudent level of MRP.
- 1.3. The statutory guidance recommends that local authorities draw up a statement of their policy on the MRP, for approval by full council in advance of the year to which it applies.

2. Details of MHCLG Guidance on MRP

- 2.1. The statutory guidance identifies four options for calculating MRP and recommends the circumstances in which each option should be used, but states that other approaches are not ruled out.
- 2.2. The first two options are based on the pre 2007/08 statutory method of a 4% reducing balance, and the third and fourth options are based on asset lives. For capital schemes acquiring new assets which take more than one year to complete, application of Options 3 and 4 allows councils to delay charging MRP until the year after the new asset becomes operational. Under the statutory guidance, local authorities should not use Options 1 or 2 for calculating MRP on new capital expenditure.
- 2.3. For balance sheet liabilities relating to finance leases and PFI schemes, the guidance recommends that one prudent approach would be for local authorities to make an MRP charge equal to the element of the annual rental which goes to write down the balance sheet liability. This would have the effect that the total impact on the bottom line would be equal to the actual rentals paid for the year. However the guidance also states that Option 3 could be used for this type of debt.

3. Implications for the application of capital receipts

- 3.1. One of the implications of the arrangements for MRP is that it is necessary to identify which individual schemes have been funded by borrowing and which have been funded by non-specific capital income (e.g. capital receipts and grants), rather

than treating the balance of the capital funding requirement after specific capital funding has been applied as being met from a general receipts and borrowing pool.

- 3.2. In the case of capital receipts, statute gives local authorities the option to apply these to fund the payment of any liabilities relating to finance leases and PFI schemes. This is a reflection of the fact that such schemes are being treated in accounting terms as the acquisition of fixed assets, and the liability represents the amount being paid towards the purchase of the asset itself, rather than interest or service charges payable.
- 3.3. Local authorities may also use capital receipts to repay any borrowing that was incurred to fund capital expenditure in previous years. Applying capital receipts to redeem borrowing would reduce the level of MRP which the council needs to set aside from revenue as a prudent provision.
- 3.4. The general principle adopted by the Council will be to allocate capital receipts firstly to fund the liabilities to be written down for the year in relation to PFI schemes and finance leases. This will remove the need for MRP charges equal to the value of the capital receipts applied.
- 3.5. For any remaining capital receipts, the options are for these to be retained in the Usable Capital Receipts Reserve, used to redeem debt, or used to fund capital expenditure on short life assets. The Responsible Financial Officer (the Section 151 Officer) will determine annually the most appropriate use of these receipts, taking into account forecasts for future expenditure and the generation of further receipts.

4. 2021/22 MRP Policy

- 4.1. In its 2021/22 MRP policy, the Council is required to decide how MRP will be calculated for borrowing undertaken for the 2020/21 capital programme and earlier years. It is proposed that Leeds adopts the following MRP policies for 2021/22:
 - If capital receipts have been used to repay borrowing or to fund PFI liabilities for the year then the value of the MRP which would otherwise have been set aside will be reduced by the amounts which have instead been repaid from capital receipts.
 - MRP for borrowing on capital expenditure incurred between 2007/08 and 2020/21 will be calculated on an annuity basis over the expected useful life of the assets (option 3 in the statutory guidance). For expenditure capitalised under statute where there is no identifiable asset, the lifetimes used for calculating the MRP will be as recommended in the statutory Guidance.
 - For earlier borrowing, MRP will be calculated on an asset life annuity basis. As data is not available to identify the individual assets which this borrowing related to, an average asset life relating to more recent borrowing will be used. The annuity calculation is based on the position which would have been reached if this approach had been in place since 2008/09. Following adjustments in the years 2016/17 to 2019/20, the cumulative MRP set aside on this tranche of debt now reflects this approach, with no remaining overprovision.

- For PFI liabilities, an MRP charge will be calculated on the basis of the expected life of the asset which has been acquired, using the same annuity basis as is used for borrowing.
- For PFI lifecycle costs, an MRP charge will be calculated on a 10 year asset life annuity basis, unless a more specific asset life is given in the contractor's financial model.
- For finance lease liabilities, an MRP charge will be made to match the value of any liabilities written down during the year.

4.2 These policies will ensure that the Council satisfies the requirement to set aside a prudent level of MRP. The arrangements for allocating capital funding set out in paragraphs 3.3 to 3.5 above will help to ensure that the level of MRP is not excessive.

Capital and Investment Strategy

1. Introduction and Requirements

- 1.1 This report sets out the Council's Capital and Investment strategy. Local authorities are required to have both a Capital Strategy and an Investment Strategy, with the option to produce one strategy document covering both of these areas. The council has opted to produce an overall Capital and Investment Strategy, given that there is a significant overlap between the two areas.
- 1.2 The requirement for a Capital Strategy is included in the revised Prudential Code for Capital Finance in Local Authorities 2017. The Prudential Code was developed by CIPFA (Chartered Institute of Public Finance and Accountancy) as a professional Code to support Councils in taking their decisions. Councils are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local government Act 2003.
- 1.3 In financing capital expenditure Councils also have to have regard to CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.
- 1.4 The capital strategy sets out the principles that support the Councils 4 year capital programme and as such how it supports corporate priorities and objectives. It continues to develop a longer 10 year programme.
- 1.5 The requirement for councils to publish an annual Investment Strategy is included in the current edition of the government's Statutory Guidance on Local Government Investments.
- 1.6 In recognising the financial challenges and Covid that the Council is facing the Council has sought to restrict further capital spending whilst a full review of the the capital programme took place. That review has now concluded and resulted in a number of projects being reprioritise and in some case deleted.

2. Objectives

- 2.1 The Capital Strategy sets the framework for all aspects of the Council's capital expenditure and capital investment decisions. It will support: strategic planning, asset management and proper option appraisal.
- 2.2 The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 2.3 The keys aims of the strategy are to:
- To ensure that decisions are made within the framework, CIPFA codes and statutory legislation;
 - Prioritise and deploy capital resources in line with corporate priorities;
 - Support service plans;
 - Address major infrastructure investment;

- Support the review of the Council's estate and provide investment to ensure that it is fit for purpose;
- Enable investment on a spend to save basis;
- Create sustainable income streams through capital investment;
- Support the revenue budget and assist in the delivery of budget decisions;
- Support economic growth and outcomes; and
- Attract investment in the City through third party, grants or private matched funding.

2.4 Capital investment decisions should be undertaken with regard to:

- Service objectives;
- Proper stewardship of assets;
- Value for money – through option appraisal;
- Prudence and sustainability;
- Affordability; and
- Practicality – achievability of the forward plan.

2.5 The Investment Strategy brings together information on all of the council's investment activities, covering its Treasury Management investments, other service related loans and investments and non-financial investment activity such as the acquisition of investment properties.

2.6 The aim of the strategy is to enhance transparency and accountability by presenting a clear picture of all of the council's investment activity, including the contribution made by investments to the council's objectives, the decision-making process for entering into investments, the exposure to risk, and the risk management arrangements in place.

2.7 The review of the capital programme sought to restrict spending whilst limiting spend to essential health and safety work, Covid-19 related spend and schemes where the Council has received external income/grants. The approach has primarily focused on schemes that have a borrowing element and sought to consider reductions across:

- Uncommitted schemes LCC borrowing - the Council has not entered into a contractual commitment; and
- Committed schemes LCC Borrowing - where there remains an element of the scheme that the Council is not contractually committed to but does not impact on the completion of a scheme/project.

3. Governance of the Capital Programme

- 3.1 The capital programme is established in February of each year together with the Treasury Management strategy and the revenue budget. Quarterly capital update reports are provided to Executive Board.
- 3.2 The affordability of the capital programme is considered within the Treasury Management report and the funding requirements are set within the revenue budget planning process and within the framework of the medium term financial strategy (MTFS).
- 3.3 The Council has a process to ensure that effective decision making takes place that includes:

Democratic decision-making and political approval:

- The Council set the corporate priorities;
- The Council approves the capital programme, the Treasury Management Strategy and the revenue budget together;
- The Council has an approved scheme of delegation to effect and support efficient decision making;
- The scheme of delegation enables Directors and the Chief Officer Financial Services to inject funding and provide authority to spend and changes to the capital programme;
- All schemes progress subject to the Council's constitution, scheme of consultation, financial regulations and procurement requirements;
- The Chief Officer Financial Services will report on the affordability and sustainability and risk of capital investment decisions;
- Audit and Governance provide scrutiny on the treasury management framework; and
- The Chief Officer Financial Service provides assurance on the sustainability and affordability of the Councils financial affairs

Officer Groups:

- Officers, through the Council's Corporate Estates Management Board (CEMB), Digital Portfolio Board (DPB), Strategic Investment Board (SIB) and Corporate Leadership Team (CLT) are able to influence any investment decision before political approval is sought at Cabinet and Executive Board;
- SIB has the overall responsibility for the strategic development of the capital programme;
- Directorate management teams consider the scheme business cases before submission to SIB and CLT;
- Directorate teams manage the monthly forecast spend of their schemes;
- Specific project boards are represented by appropriate skilled officers from within the Council and with external specialist engagement as appropriate;
- Monthly reporting of the capital programme to Directorates and the Council's Financial Reporting Group (FRG); and

- Monthly reporting of the updated projection of treasury management cost of debt covering the reporting MTFP period is made to the FRG

4. Project Initiation

- 4.1 The strategy adopted for 2019/20 onwards has sought to ensure that the revenue impact of capital investment decisions are taken at the same time that the revenue budget is set for the following year.
- 4.2 Directorates submit their capital programme proposals in advance of the new financial year. Scheme proposals must be underpinned by a clear business case with robust costings and projections of income, where appropriate, that will stand up to scrutiny. The business case and report must be prepared in accordance with corporate guidelines.
- 4.3 These submissions are ranked in terms of:
- Priority 1 - essential health and safety, protecting revenue budgets and business critical/corporate priority;
 - Priority 2 - departmental priority; and
 - Priority 3 - further business case development required
- 4.4 In addition to the prioritisation of individual proposals and programmes the whole programme will be assessed for:
- Achievability – Does the Council have the resources and technical expertise to deliver within the timescales?
 - Prudence & Affordability – To ensure that the revenue cost of debt remains affordable within the MTFS;
 - Non-monetary benefits – Social well-being, health and environmental benefits; and
 - Impact upon the Council's 5% partial VAT calculation.
- 4.5 These new investment programmes are appraised in conjunction with a review of the priorities within the existing programme. This process allows for check and challenge with peer review of scheme proposals before the overall affordability of the programme is considered. This review is overseen by the Council's Strategic Investment Board.
- 4.6 In the appraisals of schemes the Council will make use of internal officer experience together with support as required from external professional advisors to ensure that investment decisions are robust and will stand up to subsequent scrutiny.
- 4.7 As a result of the financial pressures and COVID a further deeper review has taken place that established a number of principles to determine which schemes should remain. These include:
- Statutory requirement
 - Health and Safety (Immediate)
 - Fully/part funded (where funding agreements are in place)
 - Income protection

- Future cost savings
- Impact upon Council staffing and its trading services (e.g. Leeds Building Services) and the impact on various partnership impacts (e.g. NPS).

4.8 The approach to reducing borrowing has sought to reprioritise existing schemes, slip schemes and replace borrowing with external funding sources where possible.

5. Project Monitoring

5.1 Where appropriate project boards are established comprising suitably experienced and qualified staff with relevant expertise to assist decision making. Board representation would normally consist of: the project sponsor, programme managers, finance, legal, property, support staff and if appropriate HR, communication and external specialist expertise.

5.2 Monitoring of individual schemes and programmes takes place on a monthly basis with financial status reports of actual spend against forecast reports prepared and reported to Directorates. A monthly summary position is taken to the Council's Financial Performance Group.

5.3 Quarterly monitoring reports are taken to the Council's Executive Board. These highlight actuals spend against forecast, progress on schemes, injections, deletions and the impact on future years.

5.4 As required by the CIPFA code of practice on Treasury Management the Council reports on the strategy for the forthcoming year before the start of the year (usually in February to Executive Board and full Council. Additionally a half year update report is submitted to Executive Board in November during the year with a final report on the previous year being submitted in June/July following the close of the financial year.

6. Capital and Capital Investment Priorities

6.1 The Council has a significant estate to maintain but is also undertaking and facilitating large scale infrastructure development that will underpin the Council's best plan objectives. It remains focused on delivering these ambitions but recognises the financial pressures that the Council is facing. The Council will continue to seek to secure funding for the major infrastructure needs of the city.

6.2 The Council's capital investment objectives are centred on the Council's best city ambition to be a strong economy and a compassionate City with best council ambition to be an efficient, enterprising and healthy organisation. The 3 pillars that underpin these ambitions are centred on inclusive growth, health and wellbeing and climate emergency. The priorities cover:

- Addressing housing inequalities;
- Health and wellbeing;
- Creating 21st century infrastructure;
- Creating a child friendly city;
- Having safe and strong communities;

- Ensuring inclusive growth; and
- Increasing the Cultural offer.

6.3 These priorities sit behind the principles established in 4.7 above

6.4 **Housing**

6.5 Significant investment in the Council's housing estate ensuring that it meets decency standards, fire safety compliance, improving health and affordable warmth, low carbon and energy efficiency including a District heating network programme, improvements to the environment through reduced carbon emissions and supporting more people to live safely in their own homes.

6.6 New capital investment proposals will be prioritised according to the following, with works that contribute to legislative requirements, the health, safety or wellbeing of residents taking precedence over others:

- High priority – legislative requirements, health, safety and wellbeing (e.g. fire safety, asbestos, DDA, heating and insulation, lifts, aids and adaptations, structural works and key building components (e.g. structural remedials, concrete repairs, roofs, chimneys, pointing, damp proof courses, windows and doors etc.) etc.);
- Medium – Maintain the decency at level to meet regulators requirement (roofs, windows, doors), investment to support the High Rise Strategy, internal works and non-key building components, supporting independent living through adaptations to homes investment to support prevention of damp and lifecycle replacement
- Desirable – environmental and estate improvements (e.g. garages, fencing, paths commercial properties), recycling and waste management initiatives and investment in un-adopted land and car parking.

6.7 The Council is targeting council housing growth funding from within the overall programme to support the delivery of extra care housing. In addition the empty homes programme continues to bring empty homes back into use and is delivering Council owned extra care apartments with the intention that this investment acts as catalyst to promote the wider development of extra care across the city.

Health and Wellbeing

6.8 Demographic factors form a key element of the strategic context; people are living longer and with a higher level of needs. As a result of these increased demands the way care is delivered needs to change and there is a move towards more people being supported to live at home. There is a changing focus from providing help to helping people help themselves. In terms of capital investment needs the main issues are:

- Investment in opportunities for vulnerable adults to access universally provided services;
- Investment in changing analogue telecare to digital, equipment and adaptations to support people living at home; and

- Investment in appropriate technology and business systems to enable the personalisation and direct access by people to health and social care support leading to improved outcomes including adaptation to homes and assisted living initiatives.

6.9 In contrast there will be a significant reduction in directly provided residential and day care provision in response to reducing demands for these services. This move could release assets for disposal but there is also a need to ensure that the remaining facilities, required for more specialised and re-abling services, are fit for purpose. Initiatives include Health centre redevelopment and dementia intensive therapy unit.

6.10 Work continues with colleagues from the Health sector the city to bring forward schemes designed to fulfil requirements.

Creating 21st century infrastructure

6.11 **Public Realm Strategy** - Engaging and quality public realm is critical to the continued success and robustness of the city centre; creating a welcoming city which has the wow factor.

6.12 **HS2/Southbank** – The Council is taking a lead with partners in delivering HS2 and Southbank infrastructure. The aim is to double the size of the city Centre.

6.13 **Major highways and bridge** works including addressing annual maintenance of the estate. Connecting Leeds (LPTIP) comprises a programme of funding of £270 million to be invested in a number of public transport schemes across Leeds. Funding for Connecting Leeds comprises that devolved by the DfT (following the cancellation of the Leeds New Generation Transport scheme) alongside that from the Council, Combined Authority, bus operators and developers. The Leeds Public Transport Investment programme comprises a package of public transport improvements that, taken together, will deliver a major step change in the quality and effectiveness of our transport network. In addition the Council has made good progress in bringing forward the package of transport measures that will be essential to support the development of the East Leeds Extension strategic growth area. Central to these is the East Leeds Orbital Route.

6.14 **Essential Information and Technology Infrastructure** – There are a number of major essential IT investments and associated programmes of work that are required over the next few years. The Digital Development project is to fund the development of reusable digital capabilities and solutions to modernise or support the achievement of process efficiencies, business system standardisation and simplification, and ensuring systems meet users / citizen needs. The Applications Refresh Programme is focussed on ensuring that the council's 500+ systems / application estate is safe, secure and compliant by meeting statutory and regulatory requirements. It will also drive savings and efficiencies and the development of a long-term plan for the rationalisation, replacement, modernisation and management of the Council's portfolio of applications. The Essential Services Programme enables the council to continuously refresh and upgrade critical ICT infrastructure (computer hardware and software) in advance of obsolescence and to avoid major failure. The programme scope includes building a major new platform that will replace previous, end of life server, network and storage infrastructure. Investment will

also be made in 'Cyber Security' solutions to help ensure that the ongoing threats to our information and systems are minimised as well as the replacement of a significant number of aging Personal Computers.

7. **Full Fibre Network Programme for Leeds** -LCC has set out an ambition for all premises across the district both residential and commercial, to be able to access gigabit capable services. The scheme will provide full fibre connectivity to schools, council flats and CCTV point from which fibre providers will expand their networks into localities. It also has the potential to provide Leeds with the largest full scale fibre gigabit network in the UK outside of London and will assist in attracting new business to the area, increasing regional GDP, reducing the City's carbon footprint and helping to address issues of digital and social exclusion. A contract with a partner organisation has now been awarded, they are currently building out the Full Fibre network in Leeds and will be responsible for the service delivery, ensuring the provision of the greatest amount of coverage, coupled with the opportunity to extend connectivity further with commercial investment.

Children's Services

- 7.1 Demographic change also places a significant pressure on Children's Services in the need to provide school places. The focus of historical birth rate increases is now moving the requirement for additional provision from primary to secondary places and there is increasing demand for SEN provision. There is a funding gap that the Council will look to the government to fund but provide shortfall solutions through the use of CIL, provision of free schools and borrowing. In addition there are significant backlog maintenance requirements within the estate that will use **Capital Maintenance and Devolved Formula Capital** plus local resources and the Council will look to make specific bids for additional government funding.

Communities

- 7.2 The next phase of Community Hubs will allow the continued roll out of the Community Hubs with fully integrated services across the city including, asset rationalisation, co-location of housing back offices, essential backlog maintenance and new ICT infrastructure and equipment to enable new ways of working.
- 7.3 The Local Centres Programme (LCP), through engagement with ward members, local businesses and communities, creates viable local centres that are accessible, safe and resilient, and fit for the 21st century. The town heritage initiative will provide further investment to key heritage assets in the City.

Growth

- 7.4 There are a number of initiatives aimed at supporting business growth in the city. These include: the Digital Business Incubator (Leeds Tech Hub) - The Leeds Tech Hub Fund was introduced as a catalyst for growth and expansion in the city's fast-growing digital sector; Workspace Development and Investment Fund - This fund is designed to support providers of affordable specialist space to small start-up business particularly in the creative and manufacturing sectors

that have found difficulty in finding premises as the Leeds property market continues to boom; and Innovation District - This collaboration with Leeds Teaching Hospitals NHS Trust and the University of Leeds seeks to develop a Leeds Innovation District to the north of the city centre. Initial work has scoped out potential development sites. This fund will contribute to public realm and early stage development activities.

Culture

- 7.5 The Council will continue to support Channel 4's relocation to Leeds and work with the creative and digital sectors and others to expand the talent and expertise within the film and television industry within the region.

Climate Emergency

- 7.6 Full Council declared a climate emergency in March 2019, with the stated ambition of working towards a net zero carbon city by 2030. The council has accepted that very urgent action is required to make our contribution to containing global temperature rises within 1.5C.
- 7.7 The city wide proposals are broken down into the following areas: transport; housing; industry; consumption and food; waste energy; biodiversity and landscape. The first two areas are the ones on which direct council policy can have the greatest impact, with the latter areas subject more to the council's role as an influencer. Separately the report considers the promotion of biodiversity as a key contributor to mitigation and the quality of life.
- 7.8 To ensure that Leeds City Council plays its own part as an organisation and has credibility when engaging with others, the report begins by setting out its own commitment to becoming carbon-neutral in its operations. The council's key sources of emissions are street lighting, its buildings and fleet. The council has already acquired the largest local government electric vehicle fleet in the UK, committed to halve the energy required for street lighting by transferring to LED and to replace gas in our city centre buildings with district heating.

7.9 Other initiatives

- 7.10 There are a number of other significant initiatives that are based upon sustainable business plans:

- Rationalisation of the Council's estate;
- Reduction in backlog property maintenance;
- Measures to maintain income and reduce costs through spend to save business cases;
- Investment in sporting facilities;
- Invest in heritage assets on a sustainable basis; and
- Invest in initiatives that support the revenue budget

8. Capital Programme Priority and Corporate Links

- 8.1 The capital programme links into wider processes and plans across the Council and should not stand alone. In setting, monitoring and reviewing individual

schemes/programmes and the overall capital programme consideration should be given to:

- Council best plan;
- Asset management plan;
- Medium term financial strategy;
- Treasury management strategy including prudential indicators; and
- Internal and External audit.

9. Revenue implications

9.1 The revenue implication of capital investment should be considered alongside revenue budgets. Capital investment decisions should consider:

- The costs of borrowing (interest and minimum revenue provision);
- Future whole life asset planning including capital (future capital maintenance requirements) and revenue implications (running costs and maintenance costs);
- Realisation of cashable and non-cashable benefits;
- Impact upon the economy and the generation or support of council tax and business rates; and
- Proportionality

10. Funding Strategy

10.1 A range of options are available for the Council to fund its capital expenditure requirements. This capital investment must be in line with the CPFA Prudential Code for Capital Finance in Local Authorities. The level of borrowing that the Council undertakes must be within the code and its management is covered with in the Treasury Management strategy. The Council will ensure that asset purchases funded by PWLB will at all times comply with the lending terms that that PWLB operates under.

10.2 The Council will seek to maximise external funding sources before it undertakes borrowing, whilst ensuring that borrowing remains affordable and within the medium term financial strategy.

10.3 The main sources of funding available are:

- Government grants;
- Match funding;
- City region funding including the LEP;
- Post Brexit European funding;
- Developer funding through CIL, S106 and S278 contributions;
- Private sector funding;
- Capital receipts; subject to funding repayment of existing debt, PFI liabilities etc.;
- Generation of income streams or the avoidance of costs though robust business case review that pay for the costs of borrowing;
- Corporate borrowing where the funding is a bottom line revenue cost;
- Lease finance; and
- Revenue funding.

10.4 In addition the Council may also choose to award capital grants to third parties or provide loans – covered in the investment strategy.

11. Risks

11.1 The risks associated with this strategy should be considered in the context of the Council's risk and governance reporting framework and the methods for monitoring and escalation.

12. Knowledge and Skills

12.1 The Capital and Treasury Management function is managed by a number of experienced and qualified staff. They all follow a continuous professional development plan that forms part of the Council's appraisal process. The section is headed up by a CIPFA qualified accountant and reports to the S151 Officer who is also a CIPFA qualified accountant.

12.2 Individual capital schemes are undertaken by professional qualified staff in appropriate disciplines. External support and advice is also sought through a framework contract as and when required.

12.3 Members are consulted in early stages of project development and provide approval of schemes at Executive Board and full Council when the capital programme is set. Members are provided with training on treasury and capital management.

13. Investment Strategy

13.1 The Council's investment activities cover three broad areas – treasury management investments, other financial investments such as loans and equity investments which are made to achieve service objectives, and non-financial investments such as in property.

13.2 Treasury management investments

13.2.1 The council makes investments on an ongoing basis as required for the purposes of efficient treasury management. The scale of these investments, the investment policy and the risk management approach are all covered in the Treasury Management strategy which is published alongside this document.

13.3 Contributions made by non treasury financial investments

13.3.1 The statutory guidance requires councils to identify and disclose the range of contributions which its existing non treasury management investments make to its objectives.

13.3.2 The following table outlines the contributions made to service objectives by the non treasury financial investments which the council held at 31st January 2021.

Investment	Investment Category	Value at 31st March 2020 £k	Cost of Acquisition less Repayments £k	Nature of contribution made	Valuation Basis
Shareholding in Merrion House LLP	Equity	8,450	1,088	Efficient procurement of accommodation	Fair value
Leeds City Region Revolving Investment Fund LP	Equity	5,707	5,399	Promotion of economic development	Fair value
Loans to housing associations and other bodies	Loan	1,206	1,206	Access to affordable housing	Cost less provision
Assisted Homebuy Scheme (equity loans)	Loan	1,096	779	Access to affordable housing	Fair value
Loan to Leeds City Credit Union	Loan	1,091	1,091	Financial inclusion	Cost less provision
Clean Air Zone loans to taxi drivers for purchase of green vehicles	Loan	970	970	Climate change emergency and health & wellbeing	Cost less provision
Equity loans to householders	Loan	281	281	Various including health and wellbeing, and low carbon.	Cost less provision
Council house mortgages	Loan	206	206	Access to affordable housing	Cost less provision
Loan to Headrow Moneyline	Loan	245	245	Financial inclusion	Cost less provision
Loan to enable conversion of building to TV Studio.	Loan	150	150	Promotion of economic development	Cost less provision
Loans to Leeds Community Ventures Ltd	Loan	126	126	Efficient procurement of accommodation	Cost less provision
		19,528	11,541		

13.3.3 The table also identifies those loans and investments which are held at fair value and those which are held at cost less any appropriate provision for non-payment. Acquisition costs are shown net of subsequent repayments of principal. It should be noted that the values shown are as at 31st March 2020.

13.4 **Investment priorities, decision making and risks for non-treasury financial investments**

13.4.1 As regards their treasury management investment policies, councils are required to prioritise security and liquidity, and to only consider the yield that can be obtained within appropriate levels of security and liquidity. However different priorities apply when considering non treasury investments. The council will only enter into financial investments which are outside of its treasury management activities where it is seeking to achieve a service objective. This means that the requirements to prioritise security and liquidity which would apply to treasury management investments do not carry the same level of weight in considering such investments. Further, whilst the council's non treasury financial investments do in some cases generate a return, any such yield is incidental to the reasons for entering into these loans and investments.

13.4.2 Prior to making loans or other financial investments, the council carries out a thorough financial evaluation and due diligence of the risk against the return, including the intended service outcome. In addition to expected cash flows, this will take into account any borrowing costs arising and, where investments fall within the definition of capital expenditure and are funded by borrowing, the requirement to fully fund the investment via the minimum revenue provision over an appropriate number of years. A business case should be produced, to cover :

- Which Council objectives are being supported;
- Financial business case including sensitivity;
- Financial due diligence;
- Legal Powers for the acquisition and legal due diligence;
- State Aid implications;
- Tax treatment;
- Type and value of security
- Procurement issues;
- Know your customer;
- Political, environmental and social factors; and
- Accounting treatment.

- 13.4.3 Where necessary and dependent on the value of the proposed investment, external advice will be sought by officers before entering into financial investments.
- 13.4.4 Where possible, the council obtains appropriate security such as a legal charge on property before making loans. It should be noted that a number of these investments are funded by grants or other third party contributions, and thus carry no risk of loss to the council as a result of entering into them.
- 13.4.5 Of the £19.5m of current financial investments shown in the table in 12.3.2 above, £11.4m (58.3%) are either secured on property or relate to an underlying property asset.
- 13.4.6 As regards liquidity, the council does not set any maximum policy limit for the duration of such investments, with each being judged on a case-by-case basis. Indeed, equity loans to homeowners, which are partly funded by grants and other contributions, have no set maturity date. When making non-financial loans and investments the council does so with the understanding that it will not be able to prematurely access the funds which have been committed to these investments.
- 13.4.7 All decisions to enter into non treasury financial investments are taken within the council's overall delegated decision framework, with the added requirement included in Financial Regulations for the decision maker to consult with the Chief Officer Financial Services before entering into such a contract. The requirement to consult the Chief Officer Financial Services ensures that the available knowledge and expertise within the council for assessing such contracts is applied to each such decision.
- 13.4.8 Under the new requirements for investment strategies, the council is required to set a limit on the total value of non-treasury management loans which it is willing to make. The council proposes to set this limit for 2021/22 at £40m. From the table at 12.3.2 it can be seen that the total value of such loans made at 31st January 2020 is £5.3m. This limit does not relate to financial investments other than loans.

13.4.9 Once loans and financial investments have been made, the relevant service will be responsible for ongoing monitoring and for ensuring that amounts due to the council are recovered.

13.5 Commercial Property Investment Strategy

13.5.1 The Council's holds a mixed property portfolio spread across the following headings:

- Operational assets that are need to operate front line and back office functions;
- Investment portfolio that provide an income stream to the Council, which is split into the
 - i) Prime Investment Portfolio comprising high yielding investment properties such as office blocks, the Arena, large modern industrial units and multi storey car parks,
 - ii) Commercially let properties including a portfolio of small industrial estates, offices, shops and pubs,
 - iii) Community assets such as sports clubs and community groups,
 - iv) Economic Development properties held for supporting innovation and job creation,
 - v) Investment properties that have been earmarked to raise Capital Receipts,
 - vi) Agricultural land and property held for long term strategic expansion of the city or protection of the countryside, and
 - vii) miscellaneous properties which include substations and other statutory utilities on Council land
- Regeneration and growth – assets that are acquired to enable transformation of areas, provide confidence to the market where particular projects have stalled and generate growth;
- Heritage assets – that's are of historic importance to the city; and
- Community assets - that are held to support initiatives across the public and third sectors to the benefit of local communities.

13.5.2 The Council has held a number of investments assets that have generated an income stream. These assets cover commercial property and a small industrial portfolio as set out above and together with various other rights for example covenants, access rights and mineral rights.

13.5.3 On 21 October 2015 Executive Board considered a report from the Chief Executive entitled 'Strong Economy, Compassionate City' which was a response to the White Paper motion passed at July 2015 Council on sharing economic success in the city. The report advised how the Council had played a pivotal role in the economic recovery of Leeds having intervened proactively to kick-start development and regeneration projects, support businesses to grow and invest, and to help people to work. The Council had used its powers for land assembly at the Trinity and Victoria Gate schemes; brought forward its land at Sovereign Street; constructed the First Direct Arena; and pump primed the delivery of manufacturing and logistics space in the Leeds Enterprise Zone, amongst a few. The ambition for Leeds to have a strong economy and to be a compassionate city is now embedded in the Best Council Plan, with a council

priority being to support economic growth and access to economic opportunities.

- 13.5.4 One of the main aims of the Council is to bring about economic regeneration in Leeds. The Council has been involved in bringing forward the development of buildings at a time when the market was stalling and their acquisitions will further the Council's investment and financial benefits. With the Council's ambition to become the best city in the UK, with an economy that is both prosperous and sustainable, further acquisitions offer the opportunity to further boost the performance of the Council's property investment portfolio with substantial rental income.
- 13.5.5 The declared climate emergency will result in the Council ensuring that all capital investment will be in line with achieving a zero carbon city.
- 13.5.6 The Council will ensure that there is a proactive maintenance strategy in place to preserve the income that investment assets generate.
- 13.5.7 At the present time this strategy paper concentrates on the purchase of new assets. It is envisaged that a disinvestment strategy will be added at a later date to set the strategy for the sale / release of non performing low quality assets that the Council do not wish to retain.
- 13.5.8 In the longer term it is envisaged that the Council will put in place an active Asset Management strategy where non-performing assets are either "engineered" to perform or traded out of the portfolio and replaced with others.
- 13.5.9 The Council will put in place a strategy to manage and make the best use of historic assets that will be retained by the Council. This is part of the Council's desire to have a managed efficient estate.
- 13.5.10 The opportunistic disposal of properties may also be considered to capitalise on market movements and situations where the return available is above market value such as special purchaser and marriage value situations. In addition certain acquisitions may be held on a short/medium term basis where a resale in the next few years might enable the Council to obtain an enhanced value before the asset value might start to fall e.g. to sell the investment before the remaining lease term becomes unattractive to the market.
- 13.5.11 Once the portfolio is in place it is recommended that the Investment Management Strategy is reviewed on a quarterly basis, and if required it will be amended to reflect changing Council priorities or changes to market conditions.
- 13.5.12 In addition the Property Manager or external Property Adviser will on a day to day basis be actively monitoring market conditions and the management strategy adopted will be adjusted to reflect changes in the market. The monitoring of market conditions is seen as essential if the Council is to capitalise on opportunities thrown up by changes in the commercial property sector. Further an important part of the long term strategy as the portfolio matures will be to look at portfolio weighting to ensure that the Council is not under or overexposed to one or more sectors of the market. To do this a summary of the value of the properties and the income generated will be produced. This data will also be provided in a pie chart format for easy identification of holdings and returns in the various commercial property sectors.

13.5.13 The Council will use borrowing to fund property acquisitions. Borrowing will be sourced as outlined in the Treasury Management Strategy but could include the Public Works Loan Board. The rental income generated must as a minimum provide a surplus over and above the costs of borrowing.

13.5.14 **Investment Criteria**

When looking at investment properties the Council will have regard, in order, for security liquidity and then yield. The Council should consider the following factors as part of the selection criteria:

- **Covenant Strength:** A full financial appraisal of the ability of the tenant(s) to continue to pay rent to service the Council's debt obligations will be undertaken. This may in some cases require external independent advice. Only tenants of good financial standing will be considered.
- **Unexpired terms:** For let properties the Council must consider the unexpired length of the lease and break clause to determine the risk to future income assumptions. In addition the Council will consider the costs of a tenant vacating in future income assumptions.
- **Guide Price:** In order to avoid over exposure to large lot sizes and to avoid the purchase of low price and therefore low return investments that are uneconomical to manage it is recommended that the Council invest in properties within a value of upto £65 million.
- **Target Yield Range:** The target return should as a minimum be higher than the cost of borrowing but also be in excess of returns that could be received on bank deposits. However appropriate adjustments for risk and growth should be factored in. An appropriate Yield minimum is currently 4% at the present time under the current low interest rates. Lower initial yields should of course be considered for investments offering asset management or redevelopment opportunities or long term guaranteed rental growth i.e. linked to annual RPI or CPI increases which will give higher returns in the long term.
- **Risk:** concurrent with the rate of return the risk of the acquisition/tenant strengths and lease conditions should be evaluated.
- **Location:** Based upon knowledge of the local area and the regeneration requirement only properties in the geographical area of the Council's jurisdiction will be considered.
- **Market Sector:** Investments across all sectors will be considered. Particular emphasis should be placed upon investments that complement regeneration or job creation in the Council area which may involve the Council entering into Joint Venture arrangements.
- **Capital Growth:** The property should afford revenue and / or capital growth. Where at all possible properties selected should offer opportunities by asset management, change of use, reconfiguration or redevelopment to enable Leeds to produce future returns that will increase in real terms above inflation.

- **Tenant Line up:** In order to minimise the risk of tenant failure and property voids single occupancy properties should be avoided unless covenant strength is exceptional (institutional single covenants or strong local firms e.g. banks or local legal firms) and there is a significant unexpired term. In terms of multi-occupied properties preference should be given to investments with a variety of uses / trades but ensure the number of tenants is managed to covenant strength.
- **Vacant Properties:** In certain circumstances such properties should be considered particularly if they adjoin existing Council holdings, or offer opportunities by asset management, change of use, reconfiguration or redevelopment. Vacant properties will also be considered where they are in areas of strong growth and investment activity such as the Aire Valley where it is anticipated there will be interest from occupiers and therefore good prospects of letting. The advantage of such properties is that they can be usually purchased at a discount to the market and are a way of adding value by letting to strong covenants. Such properties will also provide inward investment opportunities for the City as ready-made sites for new occupiers.
- **Property Condition:** for let acquisitions the age and condition must be sufficiently factored into the price to ensure that the Council is in a position to let or sell the property in the future and that appropriate surveys are undertaken prior to the purchase of the property. The Council should also consider the costs of refurbishment/demolition in the acquisition value.
- **Market Sector:** the Council should ensure that it has a balanced portfolio mix spread across the commercial property sector.
- **Prime / Edge of Prime High Street Retail Uses:** It is essential that any retail investments considered should meet the strict tenant covenant strength test. With the rise of internet shopping this has become high risk for tenant failure sector. Care should be taken to avoid over exposure (say over 50% of uses) of the investment to any single use category. In particular Class A2 retail (banking and professional services) with break clauses or short unexpired lease terms should be avoided as there is a growing trend for banking and financial services companies to pull away from the high street.
- **Car Parks:** Consideration should be given to the acquisition of car parks as these provide a strong and guaranteed rental growth. Further in the case of lease expiry, or restructuring or tenant failures there is the opportunity for the Council to gain full control and take over the operation of the car park.
- **Development Opportunities Adjoining / Abutting Existing Council Holdings:** Opportunities where the Council has an interest in a site or owns adjoining land should be considered.
- **Lease Re-gearing, Unlocking of Marriage Value and Purchase of Freehold opportunities:** It is possible to unlock latent value or create new value and income by the extinguishment variation or extension of

long leasehold terms such an example would be the restructuring of the lease on the offices at Merrion House. The other example is the redevelopment of the George Street shops whereby the existing rental is cannibalised to enhance the future of the site and obtain an increased asset value. Consideration should also be given to buying in the freehold of council leased in properties where prudential loan repayments are lower than contractual rental payments.

- Maintenance Programme: The revenue and capital implications of maintenance of the assets should be considered and reflected in budget assumptions and an adequate budget is set aside to cover future maintenance that is not recoverable through a service charge and potential future refurbishment costs.

Property Criteria that should be avoided.

When appraising potential investments the following property types / situations should be avoided.

- Leasehold: Due to management issues relating to superior landlords plus diminishing returns such investments should be avoided unless there is a significant lease term remaining normally in excess of 100 years or the opportunity to renegotiate the lease term as part of the acquisition.
- Speculative Development sites: Commercial development is a high risk / high return industry and given the need for an immediate income return on investment it is not recommended that the Council invest in this area unless adequate pre lets are in place and unless there is a good regeneration criteria linked to the purchase of such an asset.
- High Risk Complex Joint Ventures: Such opportunities can present good returns by sharing the risk with others. Such opportunities should be considered carefully and considered in the context of their regenerative benefits in the longer term.
- MEES Compliance: From the 1 April 2018 under the energy efficiency requirements of the MEES compliance, all commercial properties offered to let must have a minimum EPC rating of "E" or above. Therefore any properties not meeting this criteria should be avoided unless the seller undertakes the necessary enhancement works to make the property MEES compliant.
- Shopping Centres: Such investments require intensive management and frequently impose future cash calls for refurbishment etc. upon their owners. In addition, Leeds has a very comprehensive retail offer at present and investment in to this market is likely to exceed the funds available. The sector is likely to be competitive with other investors such as commercial property companies and funds therefore entry costs could be high with yields lower. Therefore investment in this sector is not recommended. It should be noted that other Local Authorities have acquired retail shopping centres but these tend to be acquired either to support the town centre or the regeneration of an area of the city.

- Retail Parks: In a similar fashion to shopping centres such investments carry intensive management obligations and the frequent need to put extra investment into the asset. The retail market has been adversely affected by the way people buy goods and through online purchases of goods and the viability of such retail sites have to be very carefully assessed. The DIY sector is also being hit by the rise in “trade park” operators such as Screwfix who can operate from such parks at rents nearer industrial rates than those higher rents seen at retail parks.

13.6 Commercial Property Investment Activity to date

13.6.1 As at 31st January 2021 the council has acquired a number of investment properties. The total acquisition cost of these properties was £119.1m, and the carrying value at the most recent valuation was £129.7m. The fair value of these assets will be revalued as part of the 2020/21 closedown process and any resulting reduction in fair value below the level of capital invested would be reported to full council as required by the statutory guidance on investments, along with mitigating actions proposed. The following table provides details of individual asset values:

Asset	Purchase Price / Build Cost £	Stamp Duty & Other Fees £	Total Cost £	Latest Valuation £
Harper Street Car Park	10,025,000	503,600	10,528,600	13,154,000
Swinegate Car Park	19,840,000	1,339,100	21,179,100	21,815,000
Sovereign Square (offices)	43,993,350	1,262,750	45,256,100	44,760,000
Paradigm Building (offices)	10,200,000	781,500	10,981,500	10,000,000
Thorpe Park (offices)	7,020,000	530,900	7,550,900	6,452,000
Logic Leeds Building 1 (industrial unit)	6,250,000	444,500	6,694,500	6,530,000
Trilogy Logic Leeds Unit D (industrial unit)	2,354,992	344,111	2,699,103	2,835,000
Trilogy Logic Leeds Unit E (industrial unit)	2,640,445	385,822	3,026,267	3,491,000
Trilogy Logic Leeds Unit F (industrial unit)	2,140,901	312,829	2,453,730	3,114,000
Apex View (offices)	8,190,000	504,000	8,694,000	9,000,000
Total	112,654,688	6,409,112	119,063,800	121,151,000

13.6.2 In addition to making a financial return, all of the above investment properties were acquired with a view to stimulating economic development in the city, and the Harper Street and Swinegate car parks make a further contribution in providing a parking service to residents and visitors. It should be noted that Trilogy Logic Leeds Unit D is currently vacant.

13.6.3 The following table identifies the projected net yield from these assets for 2020/21:

Asset	2020/21 Estimated Outturn					
	Annual Prudential Borrowing Charge	Other Costs	Gross Income	Net Income	Yield	Return on Investment
	£	£	£	£	%	%
Harper Street Car Park	510,000		(717,000)	(207,000)	6.81	1.97
Swinegate Car Park	667,000		(1,020,000)	(353,000)	4.82	1.67
Sovereign Square (offices)	1,416,000	60,000	(2,150,000)	(674,000)	4.75	1.49
Paradigm Building (offices)	342,000		(709,000)	(367,000)	6.46	3.34
Thorpe Park (offices)	234,000		(468,000)	(234,000)	6.20	3.10
Logic Leeds Building 1 (industrial unit)	207,000		(453,000)	(246,000)	6.77	3.67
Trilogy Logic Leeds Unit D (industrial unit)	83,000		0	83,000	0.00	(3.08)
Trilogy Logic Leeds Unit E (industrial unit)	95,000		(212,000)	(117,000)	7.01	3.87
Trilogy Logic Leeds Unit F (industrial unit)	76,000		(169,000)	(93,000)	6.89	3.79
Apex View (offices)	338,000		(572,000)	(234,000)	6.58	2.69
Total	3,968,000	60,000	(6,470,000)	(2,442,000)	5.43	2.05

13.6.4 An assessment of current values against acquisition values shows that for some assets there has been a small loss in capital values. However the assets were acquired with the aim of medium to long term income generation, rather than with the aim of generating a capital return via a disposal in the short term. As regards liquidity, the council took into account the inherently illiquid nature of property assets in its business cases for the acquisition of these investments, and does not anticipate being forced to dispose of them under disadvantageous market conditions. This view is based on the soundness of the council's overall financial governance arrangements, which minimise the risk of any unexpected need to realise funds from the properties. However, the council will continue to monitor the property market to ensure that it identifies any opportunities which do arise to generate a capital gain from the disposal of the assets.

13.7 Proportionality

13.7.1 The statutory guidance on investment strategies requires the council to disclose the extent to which it is dependent on profit generating investment activity as a source of income to balance its budget.

13.7.2 The council's income from non treasury financial investments is negligible in the context of its overall income, and therefore the potential for failure to generate the expected level of investment income presents no risk to the council's overall financial standing.

13.7.3 Similarly, the council is not dependent on the generation of income from its investment property assets to any great extent, and thus the potential for a reduction in the income generated from them does not represent a significant risk to its overall financial standing.

Equality, Diversity, Cohesion and Integration Screening



As a public authority we need to ensure that all our strategies, policies, service and functions, both current and proposed have given proper consideration to equality, diversity, cohesion and integration.

A **screening** process can help judge relevance and provides a record of both the **process** and **decision**. Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions. Completed at the earliest opportunity it will help to determine:

- the relevance of proposals and decisions to equality, diversity, cohesion and integration.
- whether or not equality, diversity, cohesion and integration is being/has already been considered, and
- whether or not it is necessary to carry out an impact assessment.

Directorate: Resources and Housing	Service area: Resources & Housing
Lead person: Victoria Bradshaw	Contact number: 88540

1. Title: Capital Programme Update 2021 – 2025

Is this a:

Strategy / Policy

 Service / Function

 Other

If other, please specify

2. Please provide a brief description of what you are screening

The report presents an updated capital programme including the overall financial position and a progress report on major schemes and programmes.

3. Relevance to equality, diversity, cohesion and integration

All the council's strategies/policies, services/functions affect service users, employees or the wider community – city wide or more local. These will also have a greater/lesser relevance to equality, diversity, cohesion and integration.

The following questions will help you to identify how relevant your proposals are.

When considering these questions think about age, carers, disability, gender reassignment, race, religion or belief, sex, sexual orientation. Also those areas that impact on or relate to equality: tackling poverty and improving health and well-being.

Questions	Yes	No
Is there an existing or likely differential impact for the different equality characteristics?		X
Have there been or likely to be any public concerns about the policy or proposal?		X
Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?		X
Could the proposal affect our workforce or employment practices?		X
Does the proposal involve or will it have an impact on <ul style="list-style-type: none">• Eliminating unlawful discrimination, victimisation and harassment• Advancing equality of opportunity• Fostering good relations		X X X

If you have answered **no** to the questions above please complete **sections 6 and 7**

If you have answered **yes** to any of the above and;

- Believe you have already considered the impact on equality, diversity, cohesion and integration within your proposal please go to **section 4**.
- Are not already considering the impact on equality, diversity, cohesion and integration within your proposal please go to **section 5**.

4. Considering the impact on equality, diversity, cohesion and integration

If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment.

Please provide specific details for all three areas below (use the prompts for guidance).

- **How have you considered equality, diversity, cohesion and integration?** (**think about** the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement activities (taken place or planned) with those likely to be affected)

- **Key findings** (**think about** any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another)

- **Actions** (**think about** how you will promote positive impact and remove/ reduce negative impact)

5. If you are not already considering the impact on equality, diversity, cohesion and integration you will need to carry out an impact assessment.	
Date to scope and plan your impact assessment:	
Date to complete your impact assessment	
Lead person for your impact assessment (Include name and job title)	

6. Governance, ownership and approval Please state here who has approved the actions and outcomes of the screening		
Name	Job title	Date
Victoria Bradshaw	Chief Officer – Financial Services	19th January 2021
Date screening completed		

7. Publishing	
<p>Though all key decisions are required to give due regard to equality the council only publishes those related to Executive Board, Full Council, Key Delegated Decisions or a Significant Operational Decision.</p> <p>A copy of this equality screening should be attached as an appendix to the decision making report:</p> <ul style="list-style-type: none"> • Governance Services will publish those relating to Executive Board and Full Council. • The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions. • A copy of all other equality screenings that are not to be published should be sent to equalityteam@leeds.gov.uk for record. <p>Complete the appropriate section below with the date the report and attached screening was sent:</p>	
For Executive Board or Full Council – sent to Governance Services	Date sent: 21st January 2020
For Delegated Decisions or Significant Operational Decisions – sent to appropriate Directorate	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent:

Capital Programme – Scheme Details (Organised by Capital Objective)

SEE ATTACHED PDF