Leeds CITY COUNCIL

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Report of the Chief Officer Financial Services

Report to Council

Date: 26th February 2020

Agenda Item 8 (iii)

Subject: Capital Programme Update 2020 – 2024

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

Main issues

1. This report sets out the updated capital programme for 2020-2024 with a forecast of resources available over that period. An update of the 2019/20 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 2019-2024, the council is seeking to deliver capital investment of £2,009.9m to support Best Council Plan objectives. This will utilise £954.8m of borrowing and capital receipts to fund this investment. The council's borrowing includes £747.8m of capital expenditure that is funded by additional income, generates revenue savings or ensures that our assets are maintained to an acceptable standard. The council will continue to reduce its borrowing by making debt repayments of £240.3m over the period.

3. Whilst the capital programme remains affordable in 2020/21, 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.

4. An update to the 2019/20 position shows projected spend of £388.1m. **Appendix A** outlines the objective analysis of this spend for the period 2019-2024, along with the capital resources required to finance this.

5. The updated capital programme for 2019-2024 requires injections of £544.1m and these are detailed at **Appendix A(iii)**.

6. The Council's Minimum Revenue Provision (MRP) Policy for 2020/21 is set out in **Appendix C** and Capital and Investment Strategy at **Appendix D**.

7. **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, the Clean Air Zone, 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.

8. **Resource Implications**

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

Recommendations

9. *Executive Board is asked to recommend to Council*:

a) the capital programme for 2020-2024 totalling £2,009.9m, including the revised projected position for 2019/20, as presented in **Appendix A**;

b) the MRP policy statements for 2020/21 as set out in **Appendix C;** and

c) The Capital and Investment Strategy as set out in **Appendix D**.

10. Executive Board is asked to approve the following injections into the capital programme:

- £146.0m of annual programme injections as set out in **Appendix A(iii) and listed at Appendix A(iv),** funded by £129.7m LCC borrowing and £16.3m of specific resources;

- £75.9m of major programme injections as set out in **Appendix A(iii) and listed at Appendix A(iv),** funded by £54.1m LCC borrowing and £21.8m of specific resources;

- £322.2m of other injections, primarily relating to the roll forward of the HRA Programme and annual capital grant allocations, as set out in **Appendix A(iii)**, fully funded by specific resources.

The above decision to inject funding of £544.1m 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 2020-2024 and includes details of forecast resources for that period. It also includes an update of the 2019/20 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 2019 set out the revenue funding local authorities can expect in 2020/21 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 **Appendix A(i), A(ii), A(iii) and A(iv)** providing the details across the annual and major programmes and injections 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 2019/20**

3.1.1. The latest projected expenditure for 2019/20 is £388.1m 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 2019/20

	2019/20				
	February 2019 Capital Programme £m	Capital Programme Q1 £m	Capital Programme Q2 £m	This Report £m	Variance This Report to Q2 £m
Forecast Expenditure	**490.2**	**503.8**	**418.8**	**388.1**	**(30.7)**
Funded By;					
Borrowing	221.4	202.9	168.8	148.2	**(20.6)**
Government Grants	156.4	185.8	145.8	130.6	**(15.2)**
HRA Self Financing	67.6	68.3	69.2	72.1	**2.9**
Other Grants & Contributions	22.5	24.6	20.0	22.1	**2.1**
HRA Right to Buy Receipts	22.3	22.2	15.0	15.1	**0.1**
Total Forecast Resources	**490.2**	**503.8**	**418.8**	**388.1**	**(30.7)**

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 2019 capital programme, borrowing decreased by £52.6m between February '19 and Q2 and a further £20.6m between Q2 and this report, a net £73.2m which mainly relates to rephasing in Council House Growth, Clean Air Zone, George Street Redevelopment and Street Lighting LED Replacement schemes.

3.1.3. Members are asked to note that there are other capital related reports elsewhere on the agenda. These include reports on; East of Otley Relief Road and Housing Allocation, Connecting Leeds - Corn Exchange Gateway and the Refurbishment of the former Burley Park PRU. Reports with capital funding implications are included within this capital programme update.

3.2. Capital Programme Resources 2019/20 to 2023/24

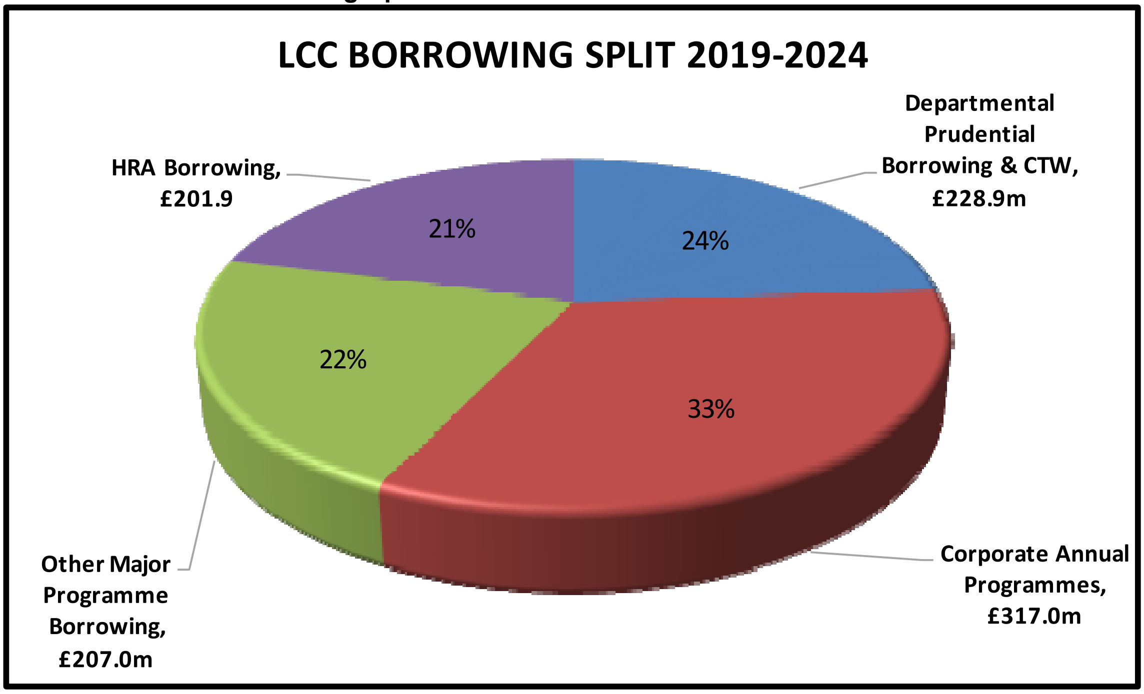
3.2.1. **General Fund** - The Council's revenue funding envelope over the medium term places constraints on the level of debt that the Council can afford. As such only those schemes supported by a robust business case and that meet the Council's priorities will progress. However, the strategy allows 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 2019-2024

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Corporate Borrowing						
Annual Programmes in Year	77.6	73.1	64.5	56.7	45.1	317.0
Corporate Borrowing Gen Fund	29.9	66.7	87.6	37.4	7.3	228.9
Corporate Borrowing HRA	6.3	47.3	51.9	41.5	54.9	201.9
Total Corporate Borrowing	**113.8**	**187.1**	**204.0**	**135.6**	**107.3**	**747.8**
Borrowing supported by revenue	34.4	61.2	36.4	29.7	45.3	207.0
Total LCC Borrowing	**148.2**	**248.3**	**240.4**	**165.3**	**152.6**	**954.8**
Repayment of Debt (MRP)	17.7	45.2	55.1	59.7	62.6	240.3
Net Borrowing requirement	**130.5**	**203.1**	**185.3**	**105.6**	**90.0**	**714.5**

3.2.2. Overall the level of borrowing required to fund the full 2019-2024 capital programme is £954.8m. Of this, £747.8m or 78% relates to capital expenditure that is funded by additional income or generates revenue savings or ensures that our assets are maintained to an acceptable standard. The council will continue to reduce its borrowing by making debt repayments of £240.3m. The split of LCC borrowing for the full programme is shown in the pie chart below.

Pie Chart 1 - LCC Borrowing Split 2019-2024



3.2.3. Resources of £2,009.9m are required to fund the City Council's capital programme from 2019-2024. 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 2019/20.

Table 3: Total Capital Resources 2019-2024

		2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Specific Resources	General Fund	148.5	233.2	101.0	49.2	31.1	563.0
Specific Resources	HRA	91.4	106.8	103.8	101.5	88.6	492.1
Corporate Borrowing Resources		148.2	248.3	240.4	165.3	152.6	954.8
Total Resources		388.1	588.3	445.2	316.0	272.3	2,009.9

Includes £201.9m of borrowing for the HRA programme - £189.9m for Council House Growth Programme and £12.0m for Housing Leeds.

3.2.4. **Specific Resources General Fund £563.0m** – 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.

3.2.5. **Specific Resources HRA £492.1m -** In accordance with the HRA budget, HRA capital expenditure has been set assuming a 2.7% rent increase for 2020/21. This will deliver HRA investment of £400.3m for the Council House refurbishment programme and £91.8m for the Council Housing Growth Programme.

3.2.6. **Corporate Resources £954.8m, Gen Fund £752.9m & HRA £201.9m -** These represent resources which the Council has more freedom to allocate to its own policy priorities. The main sources are borrowing and capital receipts. Capital receipts are allocated firstly to fund the liabilities to be written down for the year in relation to PFI schemes and finance leases then the Council's statutory requirement to repay debt (MRP). In financing the overall capital programme, the Chief Officer Financial Services will use the optimum mix of funding sources available to achieve the best financial position for the Council.

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 were agreed by Executive Board in January 2020.

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 2019/20 to 2023/24**

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 2019-2024

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Improving Our Assets	193.3	296.5	281.4	213.7	202.6	1,187.5
Investing In Major Infrastructure	95.2	177.0	91.4	53.4	0.2	417.2
Supporting Service Provision	36.1	49.5	27.0	11.3	28.7	152.6
Investing in New Technology	13.1	13.9	12.1	9.3	8.6	57.0
Supporting the Leeds Economy	13.8	25.8	13.8	1.4	0.8	55.6
Central and Operational Expenditure	36.6	25.6	19.5	26.9	31.4	140.0
Total Resources	388.1	588.3	445.2	316.0	272.3	2,009.9

3.3.2. As can be seen from table 4 above, investment of £388.1m is taking place during 2019/20 with further investment of £1,621.8m planned from 2020/21 to 2023/24.

3.3.3. **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 to inject £544.1m of which £146.0m relates to annual programmes and £75.9m relates to major programmes that require a combined Corporate Borrowing injection of £183.9m.

3.3.4. As previously indicated to Executive Board, a revised approach to setting the capital programme involved the mid-year review of pressures and capital requirements for future years. This review considered 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. **Appendix A(iv)** details the results of this review, providing additional details of the injections for annual and major programmes.

3.3.5. £8.0m of Community Infrastructure Levy is being injected into the Capital Programme; £5.0m to the Learning Places Programme to assist in cashflowing the expected programme of works during 2020/21 and £3.0m to the Leeds Flood Alleviation Scheme Phase 2.

3.3.6. £6.0m of Corporate Borrowing is being injected into General Contingencies, providing a provision of £11.9m to deal with unforeseen circumstances.

3.3.7. The other injections being sought as part of this report, totalling £322.2m, relate to the roll forward of the HRA Programme (£264.5m) and annual capital grant allocations (£34.8m) into 2022/23 and 2023/24, along with other external funding (£22.9m) that has been secured since the Quarter 2 report and which requires injection approval.

3.3.8. 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.

3.3.9. 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 2019-2024 and **Appendix B (ii)** provides a narrative update on these.

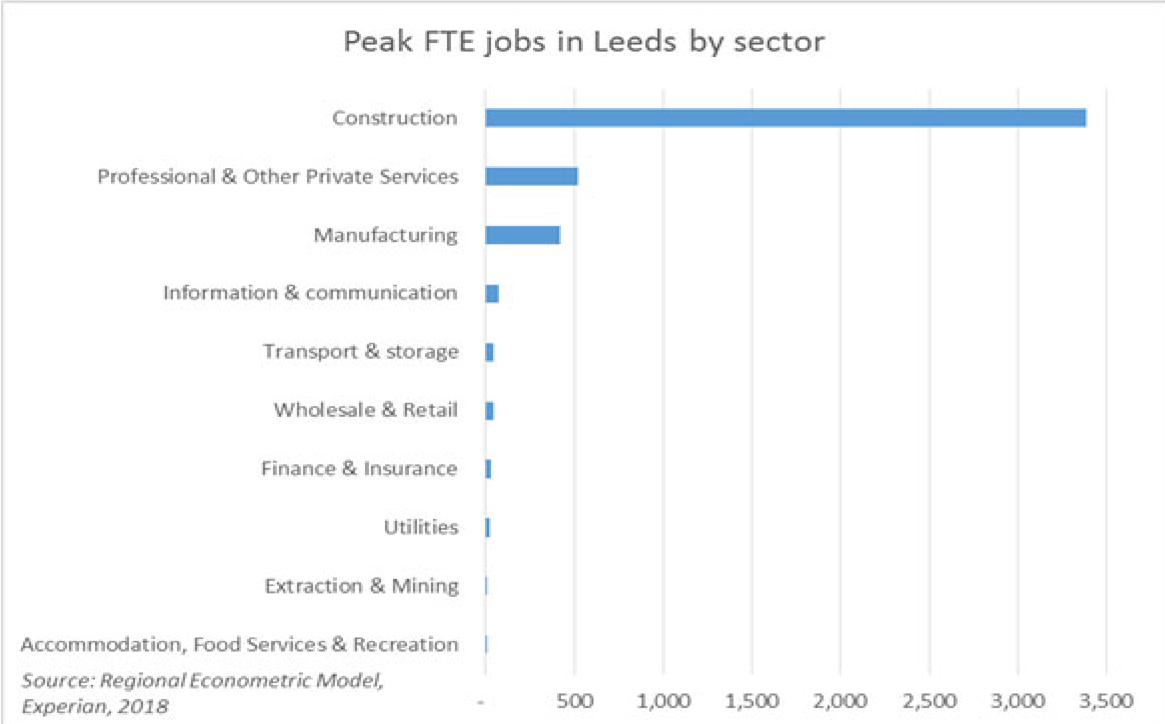
3.4. Economic Impact Analysis

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 2019-2024:

- An estimated peak of 4,550 net additional FTE job roles in Leeds will be created over the 5 years through Leeds City Council capital expenditure generating £1.075bn Gross Value Added (GVA) for the Leeds economy over this period.
- In addition a further net additional 560 jobs and £98m 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 2019-2024 will create a peak of 5,110 FTE jobs and generate £1.173bn 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 Changes were made to the 2017/18 MRP policy, to recalculate the MRP on the tranche of debt which originated in 2007/08 and earlier on the basis of an annuity asset life calculation applied from 2008/09. This will mean that this element of debt will be repaid seven years earlier than previously planned, but also meant that more MRP had been set aside between 2008/09 and 2016/17 than the minimum required. Under the 2017/18 MRP policy, this overprovision is being applied firstly over a three year period to 2019/20 in a way which limits the impact of any timing variations in the availability of capital receipts and reduces the MRP charge to revenue to £1.0m. The final tranche of this overprovision is expected to be applied during 2020/21.

3.5.3 There are no proposed changes to the Council's MRP policy for 2019/20 and no material changes from that to the Council's MRP policy for 2020/21. The 2020/21 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 finance[1], 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 2019/20 to 2021/22 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 Report elsewhere on the February 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 2019/20, 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 initial budget proposals, including capital programme, were set out in a report to Executive Board in January 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**.

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[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 2020/21 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.

<u>Climate Emergency</u>

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, the Clean Air Zone, 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 2019-2024 is £954.8m.

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 four key criteria. Only schemes meeting these criteria are put forward as proposals for consultation. The criteria are:
  - essential health and safety
  - protecting revenue budgets
  - business critical - corporate priority (Best Council Plan objectives)
  - climate / carbon - specific projects
- 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 unsupported 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 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.

4.6.2 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 £11.9m 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.

4.6.3 The aspiration remains to limit the increase in the level of debt. The Council has sought to manage this through the mid-year review of pressures and capital requirements for future years, ensuring that affordability remains within the Medium Term Financial Strategy.

5 Conclusions

5.1 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.

5.2 In the period from 2019-2024, the council is seeking to deliver capital investment of £2,009.9m, of which £1,315.9m relates to the General Fund and £694.0m relates to the Housing Revenue Account (HRA). This is funded through £954.8m of LCC borrowing and £1,055.1m of specific resources.

5.3 Forecasts for the debt budget beyond 2020/21 are dependent upon interest rate assumptions, the likely level of capital spend and the Councils cash balances. These will be kept under review throughout 2020/21, before establishing the 2021/22 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 2020-2024 totalling £2,009.9m, including the revised projected position for 2019/20, as presented in **Appendix A**;

b) the MRP policy statement for 2020/21 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 injections into the capital programme:

- £146.0m of annual programme injections as set out in **Appendix A(iii) and listed at Appendix A(iv),** funded by £129.7m LCC borrowing and £16.3m of specific resources;

- £75.9m of major programme injections as set out in **Appendix A(iii) and listed at Appendix A(iv),** funded by £54.1m LCC borrowing and £21.8m of specific resources;

- £322.2m of other injections, primarily relating to the roll forward of the HRA Programme and annual capital grant allocations, as set out in **Appendix A(iii)**, fully funded by specific resources.

The above decision to inject funding of £544.1m will be implemented by the Chief Officer Financial Services.

Appendices
A – Capital Programme Funding Statement 2019-2024
A (i) – Annual Programmes
A (ii) – Major Programmes and Other Directorate Schemes
A (iii) – Net increase in funding since February 2019 to end of January 2020
A (iv) – Capital Programme Review 2019/20 to 2028/29
B (i) – Major schemes contained within each Objective 2019-2024 (Pie Chart)
B (ii) – Major schemes contained within each Objective 2019-2024 (Narrative)
C – Statement of Policy on the Minimum Revenue Provision for 2020/21
D – Capital and Investment Strategy
E – Equality, Diversity, Cohesion and Integration Screening Document
F – Capital Programme – Scheme Details (Organised by Capital Objective)

Background documents[2] None

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[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 2019-2024 — Appendix A

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
EXPENDITURE						
GENERAL FUND (GF)						
IMPROVING OUR ASSETS	95,621	142,479	125,680	70,758	59,032	493,569
INVESTING IN MAJOR INFRASTRUCTURE	95,215	176,974	91,352	53,372	250	417,163
SUPPORTING SERVICE PROVISION	36,064	49,460	27,031	11,296	28,702	152,552
INVESTING IN NEW TECHNOLOGY	13,108	13,884	12,112	9,285	8,619	57,008
SUPPORTING THE LEEDS ECONOMY	13,823	25,817	13,827	1,367	810	55,644
CENTRAL & OPERATIONAL EXPENDITURE	36,555	25,596	19,553	26,901	31,421	140,026
TOTAL ESTIMATED SPEND ON GF	290,386	434,209	289,555	172,978	128,833	1,315,962
HOUSING REVENUE ACCOUNT (HRA)						
IMPROVING OUR ASSETS - COUNCIL HOUSING	97,680	154,067	155,671	143,018	143,521	693,957
TOTAL ESTIMATED SPEND ON HRA	97,680	154,067	155,671	143,018	143,521	693,957
TOTAL ESTIMATED SPEND	388,066	588,277	445,226	315,996	272,354	2,009,918
RESOURCES						
GENERAL FUND (GF)						
Specific Resources						
GOVERNMENT GRANTS	130,624	215,715	97,717	47,191	28,603	519,850
OTHER GRANTS & CONTRIBUTIONS	17,779	17,417	3,351	1,961	2,512	43,019
RCCO / RESERVES	123	0	0	0	0	123
Corporate Resources						
BORROWING - Corporate	124,465	156,435	167,811	113,756	72,411	634,877
BORROWING - Departmental	17,396	44,643	20,677	10,070	25,307	118,093
CAP. RESOURCES REQD FOR GF	290,386	434,209	289,555	172,978	128,833	1,315,962
HOUSING REVENUE ACCOUNT (HRA)						
Specific Resources						
HRA SELF FINANCING	72,142	71,385	70,385	68,264	50,313	332,488
R.T.B. CAPITAL RECEIPTS	15,055	25,847	26,377	28,598	38,298	134,174
GOVERNMENT GRANTS	0	3,333	3,000	1,928	0	8,261
RCCO / RESERVES	642	845	1,362	79	0	2,928
OTHER GRANTS & CONTRIBUTIONS	3,553	5,347	2,688	2,604	0	14,191
BORROWING - Departmental	6,289	47,311	51,859	41,545	54,910	201,915
CAP. RESOURCES REQD FOR HRA	97,680	154,067	155,671	143,018	143,521	693,957
TOTAL CAP. RESOURCES REQD	388,066	588,277	445,226	315,996	272,354	2,009,918

BORROWING REQUIRED TO FUND THIS PROGRAMME	**148,150**	**248,388**	**240,347**	**165,371**	**152,628**	**954,885**
Average Interest rate (subject to change)	**1.25%**	**1.50%**	**1.75%**	**2.25%**	**2.50%**	

Annual Programmes

Appendix A (i)

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Improving Our Assets						
Highways Maintenance	12,587	13,000	13,000	13,000	13,000	64,587
Highways Maintenance Capitalisations	4,600	4,600	4,600	4,600	3,700	22,100
Section 278	3,689	4,690	6,362	3,500	3,500	21,741
Heritage Assets	4,658	5,557	6,750	1,538	0	18,503
Highways Bridges & Structures	1,300	6,700	5,000	2,700	2,700	18,400
Schools Capital Expenditure	3,200	3,500	3,500	3,500	3,115	16,815
Corporate Property Management	5,395	5,000	1,500	1,500	1,500	14,895
Demolition Programme	1,712	1,000	1,000	1,000	1,000	5,712
General Refurbishment Schools	977	1,210	1,000	1,000	1,165	5,351
Fire Risk Assessments	1,502	450	750	750	0	3,452
Library Books	700	700	700	700	600	3,400
Sports Maintenance	381	750	500	500	500	2,631
Traffic Management Programme	277	200	200	0	0	677
Civic Hall Backlog Maintenance	226	300	0	0	0	526
	41,205	47,656	44,862	34,288	30,780	198,792
Supporting Service Provision						
Adaptations - Disabled Facilities Grants	8,128	7,518	7,518	8,622	8,622	40,407
Telecare ASC	580	600	600	600	600	2,980
Adaptation to Private Homes	437	470	470	470	470	2,317
Childrens Centres	50	50	50	50	50	250
	9,194	8,638	8,638	9,742	9,742	45,954
Investing In New Technology						
Digital Development	4,650	5,350	5,000	5,000	5,000	25,000
Essential Services Programme	5,917	5,820	4,210	4,210	3,403	23,560
	10,567	11,170	9,210	9,210	8,403	48,560
Supporting The Leeds Economy						
Project Support Fund - Groundwork	70	70	70	70	70	350
Central & Operational Expenditure						
Vehicle Programme	19,455	8,368	4,000	8,663	1,700	42,187
General Capitalisations	3,600	4,100	4,100	4,100	3,800	19,700
Capital Programme Management	575	575	575	575	575	2,877
Capitalisation of Interest	566	534	400	300	300	2,100
	24,197	13,577	9,075	13,639	6,375	66,864
Total Annual Programmes 2019-2024	**85,233**	**81,111**	**71,856**	**66,949**	**55,371**	**360,520**

Major Programmes & Other Directorate Schemes

Appendix A (ii)

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Improving our assets - Council Housing						
HRA Housing Leeds Refurbishment & BITMO & Other	84,822	81,735	81,735	81,740	82,221	**412,253**
HRA Council Housing Growth Phase 2	5,367	59,560	45,171	59,350	61,300	**230,748**
HRA Council Housing Growth Phase 1	7,492	12,772	28,765	1,928	0	**50,957**
Improving our assets - General Fund						
Childrens - Capital Maintenance	6,766	11,235	21,772	14,685	7,683	**62,141**
Challenge Fund Bids	3,000	18,400	8,900	700	0	**31,000**
Streetlighting Replacement LEDs	2,000	6,180	6,040	8,170	8,000	**30,390**
Highways Maintenance LTP Grant	5,833	5,750	5,750	5,750	5,750	**28,833**
Parklife Fullerton Park Elland Road	300	14,000	3,902	0	0	**18,202**
Aireborough (Ph2) and Fearnville Leisure Centres	1,191	2,819	12,154	0	0	**16,165**
Parks & Countryside Schemes / Climate Emergency	4,055	6,095	2,770	750	800	**14,470**
Strategic Investment Fund Acquisitions.	1,093	6,060	7,211	0	0	**14,364**
Highways Transport Package	2,273	2,738	2,500	2,500	2,500	**12,511**
Childrens - Devolved Formula Capital	2,900	2,805	1,386	1,386	2,585	**11,061**
Community Hubs Programme	2,095	3,228	3,880	0	0	**9,202**
Network/Junction Improvements	3,820	4,325	0	0	0	**8,145**
Assited Living Leeds	3,000	1,871	725	1,400	0	**6,996**
Changing the Workplace 1 & 2	4,738	1,000	1,000	0	0	**6,738**
Bridges and Structures	3,063	1,200	500	0	0	**4,763**
Albion House Purchase & Red Hall Demolition	1,663	1,000	0	0	0	**2,663**
Telecare Analog to Digital	0	500	500	600	0	**1,600**
Adoption of 32 Highways & Beckhills Estate	641	800	0	0	0	**1,441**
Aire Valley (Temple Green) Park and Ride	0	0	1,177	0	0	**1,177**
Section 106 Highways Works	317	542	162	50	0	**1,072**
Other smaller schemes within the objective	5,667	4,276	489	479	934	**11,845**
	152,096	248,890	236,489	179,487	171,773	**988,735**
Investing in Major Infrastructure						
Leeds Public Transport Investment Programme (LPTIP)	46,476	70,695	8,743	0	0	**125,913**
East Leeds Orbital Road (ELOR)	17,011	38,874	43,180	20,000	0	**119,065**
Flood Alleviation Schemes	11,009	21,019	25,646	32,150	250	**90,074**
Clean Air Zone	6,813	30,569	8,000	0	0	**45,382**
District Heating Network & Energy Efficiency	5,019	5,199	1,381	222	0	**11,821**
Cycle City Ambition & A6120 ORR Cycleways	4,725	6,100	500	0	0	**11,324**
UTMC Works	2,057	1,245	964	0	0	**4,266**
City Centre Vehicle Access Restrictions & Electric Charge Points	1,315	2,194	0	0	0	**3,509**
LISM & HS2 Capitalisations	750	750	769	1,000	0	**3,269**
Leeds Station Joint Venture	0	0	2,000	0	0	**2,000**
Other smaller schemes within the objective	41	329	170	0	0	**540**
	95,215	176,974	91,352	53,372	250	**417,163**
Supporting Service Provision						
Childrens - Learning Places Programme	17,020	30,735	15,141	52	738	**63,685**
Social Care & Health Fund	1,863	1,461	800	800	18,120	**23,044**
Private Sector Renewal - Equity Loans	4,832	796	1,033	0	0	**6,661**
Waste Depot	440	3,359	0	0	0	**3,799**
Childrens - SEMH Programme	367	380	0	0	0	**746**
Other smaller schemes within the objective	2,348	4,092	1,420	702	102	**8,664**
	26,869	40,822	18,393	1,554	18,960	**106,599**

Major Programmes & Other Directorate Schemes

Appendix A (ii)

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Investing in New Technology						
Digital Information Service - Full Fibre Network	1,200	1,200	1,200	0	0	**3,600**
Customer Access Phase 1 & 2	490	510	517	0	28	**1,545**
A&H Care Act Implementation	123	550	552	0	0	**1,225**
Smart Phone and Tablet Replacement Programme	413	227	523	0	0	**1,164**
Other smaller schemes within the objective	315	227	110	75	188	**915**
	2,541	2,714	2,902	75	216	**8,448**
Supporting the Leeds Economy						
T&D & THI & LOCAN	2,032	4,576	2,749	0	0	**9,356**
Kirkgate Market Strategy	768	5,381	2,890	0	0	**9,039**
West Yorkshire Playhouse	5,388	889	0	0	0	**6,277**
Southbank Regeneration	785	2,977	1,250	0	0	**5,012**
City Development Public Realm	2,432	1,737	480	0	0	**4,649**
Supporting the Creative Sector & Tech Hubs	234	3,334	840	0	0	**4,408**
City Region Revolving Infrastructure	0	520	521	0	0	**1,041**
Temple Works & HIF	0	750	0	0	0	**750**
Other smaller schemes within the objective	2,115	5,582	5,028	1,297	740	**14,762**
	13,753	25,747	13,757	1,297	740	**55,293**
Central & Operational Expenditure						
PFI Lifecycle Capitalisations	10,316	9,389	8,678	11,462	11,980	**51,825**
General Contingencies	0	300	300	300	10,994	**11,894**
Transformational Change	1,926	2,329	1,500	1,500	2,071	**9,326**
Other smaller schemes within the objective	117	0	0	0	0	**117**
	12,358	12,018	10,478	13,262	25,045	**73,162**
Total Major Programmes & Other Directorate schemes	**302,833**	**507,166**	**373,371**	**249,047**	**216,983**	**1,649,399**

Annual Programmes - See Appendix A (i)	**85,233**	**81,111**	**71,856**	**66,949**	**55,371**	**360,520**
Total Annual & Major Programmes	**388,066**	**588,277**	**445,226**	**315,996**	**272,354**	**2,009,918**

Net Increase in funding since February 2019 to end of January 2020

Appendix A (iii)

	Corporate Borrowing £000	Borrowing Supported by Revenue £000	Specific Resources £000	Total Resources £000
22/23 & 23/24 HRA Programme Injections		81,235.0	183,305.7	264,540.7
Annual Programme Injections	129,727.3		16,305.4	146,032.7
Major Programme Injections	54,138.6		21,771.7	75,910.3
22/23 and 23/24 LTP Grant Injections			19,397.3	19,397.3
22/23 & 23/24 Capital Maintenance Grant Injections / Realignments			10,024.2	10,024.2
EA Grant / WYCA Local Growth Fund injections re Flood Alleviation Schemes			8,537.0	8,537.0
HIF Grant Injection re East of Otley Housing Access Rd			6,218.0	6,218.0
District Heating Network Phase 2 Injections		2,792.0	2,489.0	5,281.0
Future Years LTP Grant Injection			2,918.0	2,918.0
22/23 & 23/24 Devolved Formula Capital (DFC) Grant Injections / Realignments			2,412.9	2,412.9
Adjustments to Housing Leeds Programme			2,305.4	2,305.4
WY+TF Grant Injection re Transforming Cities Fund			267.0	267.0
S106 Injections to Highways Schemes			151.0	151.0
WYCA Grant Funding Injection re City Connect Cycle Schemes Monitoring			69.0	69.0
Net Injections sought as part of this report	**183,865.9**	**84,027.0**	**276,171.6**	**544,064.5**
Net Injections with approvals in place		38,223.7	91,687.2	129,910.9
Total Net Injections in place since February 2019	**183,865.9**	**122,250.7**	**367,858.8**	**673,975.4**
Slippage Movements as at 2018/19 Outturn				-10,857.7
Net Increase in funding since February 2019 to end of January 2020				**663,117.7**

Capital Programme Review 2019/20 to 2028/29

APPENDIX A (iv)

Annual Programme Capital Review

	LCC RES 2019/20 £000,	LCC RES 2020/21 £000,	LCC RES 2021/22 £000,	LCC RES 2022/23 £000,	LCC RES 2023/24 £000,	LCC RES 2024/25 £000,	LCC RES 2025/26 £000,	LCC RES 2026/27 £000,	LCC RES 2027/28 £000,	LCC RES 2028/29 £000,	Total LCC RES £000,
Highways Maintenance			2,400.0	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	13,000.0	93,400.0
Highways Section 278				3,500.0	2,800.0	2,100.0	1,400.0	700.0			10,500.0
Highways Section 278 external contributions					700.0	1,400.0	2,100.0	2,800.0	3,500.0	3,500.0	14,000.0
Highways Maintenance Capitalisations				4,600.0	3,700.0	2,800.0	1,800.0	900.0			13,800.0
Corporate Property Management		1,200.8	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	13,200.8
Schools Capital Expenditure				3,500.0	2,800.0	2,100.0	1,400.0	700.0			10,500.0
Fire Risk Assessments			750.0	750.0							1,500.0
Demolition Programme				1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	7,000.0
General Refurbishment Schools				1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	7,000.0
Library Books				700.0	600.0	400.0	300.0	100.0			2,100.0
Sports Maintenance				500.0	500.0	500.0	500.0	500.0	500.0	500.0	3,500.0
Adaptations - Disabled Facilities Grants				1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	1,069.0	7,483.0
Adaptations - supported by external funding				7,552.7	7,552.7	7,552.7	7,552.7	7,552.7	7,552.7	7,552.7	52,868.9
Telecare ASC				600.0	600.0	600.0	600.0	600.0	600.0	600.0	4,200.0
Adaptation to Private Homes				470.0	470.0	470.0	470.0	470.0	470.0	470.0	3,290.0
Childrens Centres				50.0	50.0	50.0	50.0	50.0	50.0	50.0	350.0
Essential Services Programme				4,210.0	3,400.0	2,500.0	1,700.0	800.0			12,610.0
Digital Development				5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	35,000.0
Climate Emergency - Reprioritised to/from another Directorate Programme	151.0										151.0
Climate Emergency		800.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	5,600.0
Climate Emergency - supported by external funding		50.0	100.0	150.0	200.0	250.0	300.0	350.0	350.0	350.0	2,100.0
Project Support Fund - Groundwork				70.0	70.0	70.0	70.0	70.0	70.0	70.0	490.0
General Capitalisation			736.7	4,500.0	3,600.0	2,700.0	1,800.0	900.0			14,236.7
Transformational Change to LCC		500.0	1,000.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	12,000.0
PFI Lifecycle Capitalisations				11,462.0	11,980.0	12,895.0	13,395.0	13,895.0	14,395.0	14,895.0	92,917.0
Vehicle Programme				2,079.3	1,700.0	1,200.0	800.0	400.0			6,179.3
Capital Programme Management				575.4	575.4	575.4	575.4	575.4	575.4	575.4	4,027.8
Capitalisation of Interest				189.7	300.0	300.0	300.0	300.0	300.0	300.0	1,989.7
Total	151.0	2,550.8	7,086.7	70,128.1	66,267.1	63,132.1	59,782.1	56,332.1	53,032.1	53,532.1	431,994.2
Reprioritised to/from another Directorate Programme	151.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	151.0
LCC Borrowing	0.0	2,500.8	6,986.7	62,425.4	57,814.4	53,929.4	49,829.4	45,629.4	41,629.4	42,129.4	362,874.3
External Funding	0.0	50.0	100.0	7,702.7	8,452.7	9,202.7	9,952.7	10,702.7	11,402.7	11,402.7	68,968.9
Total	151.0	2,550.8	7,086.7	70,128.1	66,267.1	63,132.1	59,782.1	56,332.1	53,032.1	53,532.1	431,994.2

LCC Borrowing Injections	129,727.3
Specific Resources Injections	16,305.4
Annual Programme Injections	**146,032.7**

Capital Programme Review 2019/20 to 2028/29

APPENDIX A (iv)

Major Programme Capital Review	LCC RES 2019/20 £000,	LCC RES 2020/21 £000,	LCC RES 2021/22 £000,	LCC RES 2022/23 £000,	LCC RES 2023/24 £000,	LCC RES 2024/25 £000,	LCC RES 2025/26 £000,	LCC RES 2026/27 £000,	LCC RES 2027/28 £000,	LCC RES 2028/29 £000,	Total LCC RES £000,
City Development											
Regent Street Flyover	3,000.0	10,400.0	8,900.0	700.0							23,000.0
Flood Risk Mgt		250.0	250.0	250.0	250.0						1,000.0
Leeds Flood Alleviation Scheme Phase 2 - CIL Strategic Fund Allocation	260.0	260.0	2,480.0								3,000.0
Regeneration Feasibility		150.0	100.0	100.0	100.0						450.0
Fearnville LC	250.0	2,024.0	12,154.0								14,428.0
City Square			250.0	250.0							500.0
Parklife	300.0	3,500.0	630.6								4,430.6
Parklife - supported by external funding		10,500.0	3,271.7								13,771.7
Chidrens and Families											
Childrens Home Refurb		500.0	500.0	500.0							1,500.0
Burley Park Childrens Centre		1,050.0									1,050.0
Learning Places Programme - CIL Strategic Fund Allocation		5,000.0	0.0								5,000.0
Resources and Housing											
Core Systems Review	500.0	829.0									1,329.0
General Contingencies					6,000.0						6,000.0
Community and Environments											
Community Hubs year 3 Phase 3		1,350.0	1,380.0								2,730.0
Core Centre Infra Upgrade		330.0	170.0								500.0
Web & Insite Dev		303.0	315.0	134.0	52.0						804.0
Cottingley cemetery expansion	600.0										600.0
Lawnswood Crematoria Replacement		1,000.0									1,000.0
Total	4,910.0	37,446.0	30,401.3	1,934.0	6,402.0	0.0	0.0	0.0	0.0	0.0	81,093.3
LCC Borrowing	4,150.0	18,674.0	23,664.6	1,300.0	6,350.0	0.0	0.0	0.0	0.0	0.0	54,138.6
External Funding	260.0	15,760.0	5,751.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21,771.7
Reprioritised from Existing Directorate Programme	500.0	1,329.0	500.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0	2,829.0
Reprioritised to/from another Directorate Programme	0.0	1,683.0	485.0	134.0	52.0	0.0	0.0	0.0	0.0	0.0	2,354.0
Total	4,910.0	37,446.0	30,401.3	1,934.0	6,402.0	0.0	0.0	0.0	0.0	0.0	81,093.3

LCC Borrowing Injections	54,138.6
Specific Resources Injections	21,771.7
Major Programme Injections	**75,910.3**

Capital Programme Review 2019/20 to 2028/29

APPENDIX A (iv)

Summary/Key

Supported Bids - LCC Borrowing	4,150.0	21,174.8	30,651.3	63,725.4	64,164.4	53,929.4	49,829.4	45,629.4	41,629.4	42,129.4	417,012.9
Supported Bids - External Funding	260.0	15,810.0	5,851.7	7,702.7	8,452.7	9,202.7	9,952.7	10,702.7	11,402.7	11,402.7	90,740.6
Reprioritised from Existing Directorate Programme	500.0	1,329.0	500.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0	2,829.0
Reprioritised to/from another Directorate Programme	151.0	1,683.0	485.0	134.0	52.0	0.0	0.0	0.0	0.0	0.0	2,505.0
Total Capital Review 2019/20 to 2028/29	5,061.0	39,996.8	37,488.0	72,062.1	72,669.1	63,132.1	59,782.1	56,332.1	53,032.1	53,532.1	513,087.5

Reconciliation of Changes made since November '19 Executive Board

Total Reported to November '19 Executive Board	4,800.0	22,336.8	29,855.7	57,596.4	51,635.4	47,133.4	43,233.4	39,233.4	35,433.4	35,433.4	366,691.3
Changes											
Adaptations - supported by external funding				1,103.7	1,103.7	1,103.7	1,103.7	1,103.7	1,103.7	1,103.7	7,725.9
Climate Emergency - Reprioritised to/from another Directorate Programme	1.0										1.0
Climate Emergency		500.0	350.0	400.0	450.0	500.0	550.0	600.0	600.0	600.0	4,550.0
General Contingencies					6,000.0						6,000.0
Transformational Change to LCC		500.0	1,000.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	12,000.0
PFI Lifecycle Capitalisations				11,462.0	11,980.0	12,895.0	13,395.0	13,895.0	14,395.0	14,895.0	92,917.0
CIL Strategic Fund Allocation - Leeds Flood Alleviation Scheme Phase 2	260.0	260.0	2,480.0								3,000.0
Parklife		700.0	530.6								1,230.6
Parklife supported by external funding		10,500.0	3,271.7								13,771.7
Burley Park Childrens Centre		200.0									200.0
CIL Strategic Fund Allocation - Learning Places Programme		5,000.0									5,000.0
Total Capital Review 2019/20 to 2028/29	5,061.0	39,996.8	37,488.0	72,062.1	72,669.1	63,132.1	59,782.1	56,332.1	53,032.1	53,532.1	513,087.5
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Major Schemes contained within each Objective 2020-2024 (Pie Chart)

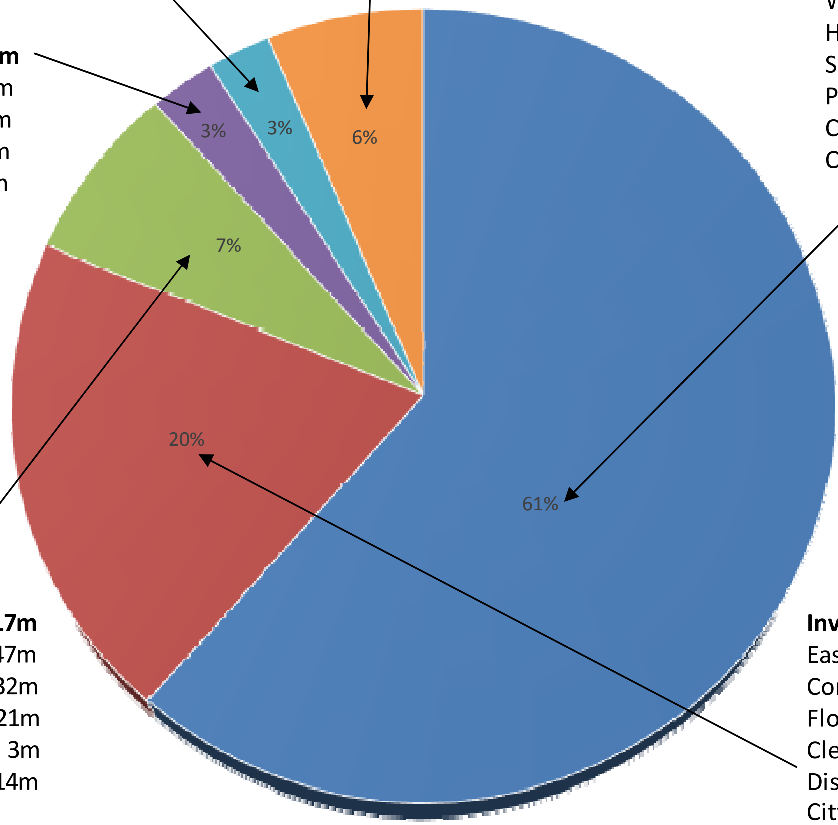
Appendix B (i)

Supporting the Leeds Economy	**£42m**
Kirkgate Market Strategy	8m
Local Centres Programme & THI	7m
Southbank Regeneration	4m
Supporting the Creative Sector	4m
Other smaller schemes	19m

Central and Operational	**£104m**
PFI Lifecycle Capitalisations	42m
Fleet Replacement Programme	23m
General Capitalisations	16m
Contingency	12m
Transformational Change	7m
Other smaller schemes	4m

Improving Our Assets	**£995m**
HRA - Refurbishment	327m
HRA - Council House Growth	269m
Highways	215m
Schools	82m
Parklife Programme	18m
CPM, Demos & Fire Risk Assess	15m
Wellbeing Centres	15m
Heritage Assets	14m
Strategic Investment Fund	13m
P&C / Climate Emergency	10m
Community Hubs	7m
Other smaller schemes	10m

Investing in New Technology	**£44m**
Digital Development	20m
Essential Services Programme	18m
Full Fibre	4m
Other smaller schemes	2m



Supporting Service Provision	**£117m**
Learning Places Programme	47m
Adaptations DFGs	32m
Social Care & Health Fund	21m
Waste Depot	3m
Other smaller schemes	14m

Investing in major infrastructure	**£322m**
East Leeds Orbital Road (ELOR)	102m
Connecting Leeds (LPTIP)	79m
Flood Alleviation	79m
Clean Air Zone (CAZ)	39m
District Heating Network	7m
City Connect & Cycleways	7m
Other smaller schemes	9m

Appendix B (ii)

Major schemes contained within each Objective 2020-2024 (Narrative)

1. **Improving our Assets**

Housing Revenue Account (HRA)
Council Housing Refurbishment Programme
The housing investment programme has historically been driven by the need to meet the Decent Homes standard and reducing fuel poverty. This has focussed on delivering a series of programmes to renew roofs, windows, doors, kitchens and bathrooms, which was generally well received by tenants. This four year investment is a forward-looking plan aligned to meeting the aspiration to improve our housing stock beyond decency standards, to be an exemplar housing provider and support the council's ambition to reach carbon neutrality by 2030 and tackle inequalities in the city.

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:

<u>High Priority</u>

- Statutory compliance and landlord obligations, including fire safety and asbestos
- Structural work, concrete repairs,
- Energy efficiency and Fuel Poverty
- Carbon Reduction
- Projects using digital technology and innovation to improve condition of housing stock and tenant experience

<u>Medium</u>

- 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
- Lifecycle replacement

<u>Desirable</u>

- Environmental and estate improvements such as garages, fencing, paths, commercial properties
- Aesthetic improvements to internal communal areas
- Recycling and waste management initiatives
- Investment un-adopted land and car parking

Council Housing Growth Programme
On 30th October 2018, the Government abolished the cap on borrowing within the HRA. Local authorities are now able to borrow for housebuilding in accordance with the Prudential Code, and can therefore build their future generations of council homes at a scale and pace which would not have previously been possible.

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. Further sites and funding were approved in June 2019 and Executive Board noted that the programme had grown to just under 600 new homes at that time. The programme will include 3 extra care housing schemes for older people built, owned and managed by the council. 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.

Approval has also been given to a programme of acquisitions focussing initially on ex-right to buy properties that are offered to the Council under the Right of First Refusal (ROFR) Regulations.

The Council House Growth Programme includes £269m over the next 4 years up to 2023/24 and 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.

General Fund

Highways - Annual Maintenance and Specific Targeted Funded Programmes

The Highways annual maintenance programmes over the next 4 years provides for £105m to address backlog maintenance on district roads/streets. Specific funding is also provided for Street lighting replacement LEDs £28m, Regent Street Flyover £28m, Local Transport plan maintenance £23m, transport package £10m and Network Junction improvements £4m.

Schools - Capital Maintenance and Devolved Formula Capital

These programmes currently include estimated future grant allocations up to 2023/24 of £6.0m and £1.4m respectively based on 2019/20 funding allocations. The next schools capital funding announcement is expected in March 2020 at the earliest, 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; this scheme will also provide an additional 55 learning places for September 2021, with this element of the scheme being funded by Basic Need grant.

Parklife Programme

The Fullerton Park and Woodhall schemes have both been completed to the end of RIBA Stage 3 and have been submitted for planning, 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. The Fullerton Park scheme includes in the planning submission the introduction of an air-dome over the 9v9 pitch, funded by Leeds United, which will provide facilities that can be used by the Leeds United Foundation as well as the local community. The current estimate for the scheme is £10.6m. 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, and the inclusion of some athletics facilities such as a running track and training grids. The current estimate for the project is £7.7m.

Corporate Property Management, Demolition and Fire Risk Assessments
Our annual Corporate Property Management, Demolitions and Fire Risk Assessment programmes will deliver £15m of works over the next 4 years.

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 because of this. It cannot offer a modern sporting programme to the community, is under used compared to other similar spaces, and is not achieving its potential revenue capacity. The new Wellbeing Centre will be built on land adjacent to the existing Leisure Centre, for completion within 2022. The new centre is to include one large and one small swimming pool, general sports halls (2 court), studios and fitness gym along with a café facility. Following completion of the new Wellbeing Centre, the existing building is to be demolished and the land given alternative sport related use.

Heritage Assets - Town Hall
As a significant heritage asset, the Leeds Town Hall is in need of essential restoration and upgrading. The programme allows for the Council to address some of these issues whilst it undertakes more detailed feasibility works. The RIBA stage 1 design has been approved and the design team has now been commissioned to RIBA stage 3. Consultations have taken place with the 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 spring of 2021 and completing in the first quarter of 2023.Current cost estimates are approximately £1m above the £10m injected by Executive Board. This will be addressed through a combination of value engineering and potentially prudential borrowing, supported by a Business Case that is currently being prepared.

Strategic Investment Fund - (George Street development)
Executive Board at its meeting in December 2017 authorised the Director of City Development to approve the award of a contract to Town Centre Securities as the Council's selected development partner for the redevelopment of the George Street shops and the vacant units on the north side of the former Butchers Row in Kirkgate Market. The scheme proposals incorporate the provision of an apart-hotel and ancillary ground floor commercial space. The Council will grant the Limited Liability partnership to be formed between the Council and Town Centre Securities a 250 year lease of the site. The Council's contribution to the development totals £13.527m for the acquisition of a 50% interest in the ownership of the Limited Liability Partnership that will own the completed development, the cost of refurbishing Westminster Building for the relocation of the Market Service from offices on George Street to Westminster Building and associated legal and technical advice to facilitate the delivery of the scheme. Planning and Listed Building consent for the scheme has been secured. Vacant possession of the site has been achieved. The procurement process for the appointment of the contractor to undertake the works has commenced and it is envisaged that works will start on site in Autumn 2020, with completion of the works on site in spring 2022.

Parks & Countryside Schemes / Climate Emergency
The council is committed to making Leeds carbon neutral by 2030 following the declaration of a climate emergency in March 2019 and will be making further funding available for proposals to combat climate change in the next 4 years of the capital programme.

Community Hubs
This programme is fully funded by Leeds Resources. Community Hubs have brought together all existing community based one stop centres, libraries and housing management offices to be managed as a single set of front-of-house services, whilst providing integration with other partners including police, health, credit union and the third sector. It has addressed essential backlog maintenance, provided new ICT infrastructure and equipment to enable new ways of working, whilst facilitating asset rationalisation. Phase 3 Year 2 schemes, a £4.84m phase of schemes approved by Executive Board in February 2019, continue to progress. The programme now includes a new injection of £2.73m for Phase 3 Year 3 schemes which will deliver Community Hubs at Calverley, Holt Park and Chapel Allerton, a mini hub at Wortley and some refurbishment work at Central Library.

CTW & Workspace Rationalisation Programme
Guided by the emerging Estate Management Strategy, Changing the Workplace is the programme through which Leeds City Council continues to rationalise its asset base whilst helping services and staff to work more flexibly and efficiently to deliver transformational service change and improved service provision, whilst helping the Council’s carbon footprint to be reduced through releasing inefficient buildings and reducing the need for staff to travel. Over the last year, the Council has closed the Middleton Complex and Hough Top Court at Pudsey, with staff being relocated into our city centre estate. Navigation House at Hunslet is due to be closed and the building handed back to the landlord at the end of March.

A wholescale asset review is currently being undertaken which will define the rationalisation programme for the coming years, but also guide investment decisions around our existing estate as well as exploring opportunities to acquire more modern and flexible workspace. Capital funding will be injected as specific business cases are approved but it is expected that the overall programme will be self financing and provide additional savings to the council. A specific focus will be on our heritage properties, some of which the Council will need to continue to own and run, given their significance in the city, and it is therefore important that we identify the most appropriate uses and appropriate investment to protect these for the future.

2. **Investing in Major Infrastructure**

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. The scheme has three distinct phases with Phase 1, improvements to the Outer Ring road junctions, having received full approval and is

now substantially complete. Phase 2 (design development of ELOR) is also substantially complete and the delivery team are in the final stages of negotiation and procurement preparation for an imminent award of Phase 3 (construction of ELOR). 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)
Connecting Leeds 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.

By improving bus journey times and reliability, and improving facilities for cyclists and pedestrians, these schemes are anticipated to encourage modal shift from private car to bus and cycling. This is expected to contribute to a reduction in greenhouse gas (GHG) emissions. The anticipated reduction in car usage will also have a beneficial impact on air quality, and links in with the proposed Clean Air Zone (CAZ) and its objectives of reducing nitrogen oxide particles.

Working with partners, including the Combined Authority, Network Rail, bus operators and key businesses, a comprehensive package of interventions has been brought forward and is now being progressed. First Bus are contributing £71 million for 284 new low emission vehicles by 2020. Similarly, 37 Arriva buses, which meet the latest CAZ emission standards, are operating in Leeds.

Projects progressed with Connecting Leeds funding include:
- bus priority corridors;
- creation and improvement of the City Centre ‘Gateways’ including the Headrow and the Corn Exchange;
- expansion of existing bus and rail park & ride sites and creation of new sites;
- improvements to rail stations accessibility and creation of new stations; and
- complementary investment in bus services and low emission vehicles.

Each scheme is being progressed as a separate project with a separate business case, albeit the objectives of each independent scheme align with the overall aim of other Connecting Leeds funded schemes in the intention to improve public transport provision across Leeds for Leeds Citizens.

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 shortly before the 4th anniversary of the Storm Eva Boxing Day 2015 flood, and will make use of a range of flood defence measures including natural flood management, conveyance improvements and linear defences to deliver a 1 in 100 year standard of protection to the area upstream of Leeds train station. Step 2,

for which work continues to secure sufficient funding, will be to construct a flood attenuation area at Calverley and flood defence walls at Apperley Bridge which will provide a 1 in 200 year standard of protection to all areas of Leeds along the River Aire. This report includes the following injections for this scheme; £4.517m of EA Grant, £3.9m of the Combined Authority's Local Growth Fund and a £3.0m allocation from the CIL Strategic Fund. The Council has written to DEFRA highlighting the funding gap and the importance of instructing construction works for Step 2 by July 2020 to enable the works to be undertaken as an extension of the existing contract, mitigating significant impacts on both programme and cost. Smaller flood alleviation schemes at Killingbeck Meadows, Otley and Mickletown are also provided for, along with a £1.0m injection to identify and implement further flood alleviation schemes, whilst supporting bids for securing external funding.

Clean Air Zone
Since receiving the approval of £29m (capital / revenue) funding from Central Government to implement the CAZ B, the council has confirmed to central Government that it does not need to access £2.5m capital funding (and £2.5m revenue funding), reducing the overall funding package to £24m. Infrastructure spend will continue into the middle of 2020 and financial support schemes will remain on offer until the end of 2020. Should any funds remain, plans will be developed to repurpose the funds in line with the spend objectives in the Clean Air Zone legislation.

District Heating Network
Heat generation from phase 1 started in April 2019 with low carbon heat from the Recycling Energy Recovery Facility (RERF) coming on line in September 2019. This allowed flat changeovers to start in April 2019 and over 750 flats in the Lincoln Green area have now been converted from unpopular electric storage heaters/underfloor heating to efficient wet systems. All 1,983 flats are on track to be connected to low carbon heat this summer.

The project team has secured an additional £2.4m of Heat Network Investment Project (HNIP) funding for a phase 2 extension into the city centre. This commenced construction on the 2nd September 2019 in order to allow the project to work alongside the Connecting Leeds project on the Headrow, to minimise disruption in the city. Construction is making good progress and 5 major council buildings (Civic Hall, Town Hall, Museum, Library / Art Gallery and St George House) are due to be connected this autumn. Low carbon heat is already being supplied to the Playhouse and council flats and we expect to announce at least 5 additional customers this year. The project team is now exploring the business case for a phase 3 extension to take the network south of the river. This would be reliant on additional HNIP support and we would aim to start construction this calendar year.

City Connect & Cycleways
This programme is fully externally funded and primarily relates to the £6.14m City Connect 3 scheme (funded from the Combined Authority's West Yorkshire + Transport Fund and providing segregated cycleways on Dewsbury Rd, Elland Rd and Clay Pit Lane), and the £3.2m A6120 Outer Ring Road scheme (funded from DfTs National Productivity Investment Fund and providing segregated cycleways at the new junction created by the East Leeds Orbital Route at Red Hall to King Lane in Alwoodley). City Connect 1 and City Connect 2 schemes were also fully externally funded by the

Combined Authority. The Combined Authority are yet to fully refund the Council for the costs of City Connect 1 and some minor works are outstanding around the Majestic Development to fully complete City Connect 2.

3. **Supporting Service Provision**

Learning Places Programme
Basic Need Grant allocations for 2019/20 and 2020/21 have previously been confirmed at £28.7m and £130k respectively, along with Special Educational Needs and Disability (SEND) Special Provision Fund allocations for 19/20 and 20/21 of £1.45m pa; a further £1.5m 'top-up' SEND grant allocation has since been provided and injected into the programme. The next schools capital funding announcement is expected in the spring, and a funding injection of 2021/22 Basic Need grant together with any adjustments to previously announced allocations will be updated as necessary. The Learning Places funding deficit is currently estimated at £59.4m, with the deficit projected to first arise in 2021/22. This takes into account the injection of £25m of LCC Borrowing and Community Infrastructure Levy (CIL) funding that was injected as part of the 2018/19 Capital Programme approved by Executive Board in February 2018; a further £5.0m of CIL funding is being injected into the programme to assist the cash flow position.

Adaptations (Disabled facilities private sector)
The general fund adaptations programme has funding of £33m across the next 4 years. This supports in the region of 800+ grants for adaptations per year. A further £1.6m is provided as an annual programme 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.

Operational Depot
The scheme has now reached the end of RIBA Stage 3 (planning status), and has been formally submitted for planning permission. The scheme will 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 20 cleaner neighbourhoods vehicles. The site has the ability to power up to 20 electric RCV vehicles and all the smaller LCC Waste Management fleet vans, to assist with reduction in air pollution. To add further to the projects green credentials, it is powered using the electricity that is produced at the Recycling Energy Recovery Facility (RERF), which effectively comes from the waste that is collected by the RCVs daily, thereby providing an almost CO^2 neutral operation for the building and the electric vehicles.

4. **Investing in New Technology**

Digital Development and Applications Refresh
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.

Essential Service 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.

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 is being procured, who will be responsible for the build and service delivery of full fibre connectivity to ensure 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
The market has now completed stripping back two of the block shops in the 1875 hall. Surveys are now complete and initial thoughts are that the water ingress issues relate to poor guttering and fall pipes rather than the main roof. Plans are now underway for phasing in the repair work to the roof, reinstatement of the units, and negotiations with traders to temporarily relocate to other units whilst the works are carried out. We will shortly be going out to tender with a view to start work late summer 2020. There have been delays submitting the planning application for the surface level car park due to the service having to look at initial concerns raised by Highways and the Police; it was also called in for scrutiny relating to the climate change emergency. Plans have now been amended and a submission to planning will be going in early 2020. All tenants have now successfully been relocated for the start of the George Street hotel development. January 2020 sees the demolition of 14 units to make way for the hoarding line which will be required to ensure a safe working area for the contractor.

Local Centres & Townscape Heritage Initiative (THI) Programmes
The Local Centres Programme (LCP) aims to help create viable local centres that are accessible, safe, and a resilient fit for the 21st century. Executive Board approved capital projects to support these aspirations in 12 town and local centres. A total of £1,125,500 was allocated from LCP, with £2,057,000 from other sources, including HRA – albeit prices are subject to refinement during project development. In addition to the initial 12 centres, officers have been engaging with ward members, local businesses and communities across the city to support and refine emerging project ideas.

Southbank Regeneration
The LCC contribution to Aire Park is progressing on Meadow Lane with the intention to bring forward green infrastructure utilising the land released by the LP-TIP highway works. This will create a new public space and an enhanced walking/cycling route connecting the Vastint Phase 1 Aire Park site and Sovereign Square footbridge (with onward journeys north to Sovereign Square / City Square and also the Southern entrance of Leeds station and Holbeck and Beeston to the south). The Meadow Lane public realm is at pre-feasibility stage; the next step is commissioning a feasibility to RIBA Stage 2 via the MBARCS framework. Options for a development plot within the area are under investigation and it is envisaged this could generate a capital receipt to contribute to the delivery of the public realm.

Consideration is being given to the LCC landholding at Armouries Drive and how this can contribute to the regeneration of this location.

Supporting the Creative Sector – TV & Film Studios
Leeds Studios will open in May 2020; 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, 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. In 2020 the council will continue to work closely with the operators of the studio as they complete the internal works prior to becoming operational.

6. **Central and Operational**

PFI Lifecycle Capitalisations
This programme is fully funded by Leeds Resources and was set up as part of the 2019/20 budget decision. 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.

Fleet Replacement Programme
The council's fleet replacement and improvement plan places 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.

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
This report includes a new £6.0m injection of Corporate Borrowing into General Contingencies, providing a provision of £11.9m to deal with unforeseen circumstances. Calls against this provision are managed by Strategic Investment Board.

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.

Appendix C

Statement of Policy on the Minimum Revenue Provision for 2020/21

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 are 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 old 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 will be to allocate capital receipts firstly to fund the liabilities to be written down 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.

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. 2020/21 MRP Policy

4.1. In its 2020/21 MRP policy, the Council is required to decide how MRP will be calculated for borrowing undertaken for the 2019/20 capital programme and earlier years. It is proposed that Leeds adopts the following MRP policies for 2020/21:

- 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 2019/20 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 will be based on the position which would have been reached if this approach had been in place since 2008/09 and the level of MRP will be reduced by the remaining cumulative 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.

Appendix D

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 is also developing 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.

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.

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 Asset Management Board (AMB), 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 In previous years capital schemes could be injected at any point through the year with the cost of additional borrowing managed within treasury management. 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 now 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, a board that receives themed investment proposals throughout the year.

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.

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 around 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.

Housing

6.3 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.

6.4 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.

6.5 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

6.6 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.

6.7 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.

6.8 Work continues with colleagues from the Health sector the city to bring forward schemes designed to fulfil requirements and £25m has been set aside to further develop initiatives at the local level.

Creating 21st century infrastructure

6.9 **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.

6.10 **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.

6.11 **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.

6.12 **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.

6.13 **Full Fibre Network Bids –** 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.

Children's Services

6.14 Demographic change also places a significant pressure on Children's Services in the need to provide additional primary school places to meet the demand resulting from rising birth rates. The focus is now moving the provision of secondary places. There is a significant 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.

Communities

6.15 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 over the next 3 years.

6.16 The Local Centres Programme (LCP) through engagement with ward members, local businesses and communities create viable local centres that are accessible, safe, resilient and fit for the 21st century. The town heritage initiative will provide further investment key heritage assets in the City. The scheme has now reached the end of RIBA Stage 3 (planning status), and has been formally submitted for planning permission.

Growth

6.17 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

6.18 The Council will continue to support the Channel 4's relocation to Leeds and work with the creative and digital sectors and other to provide to expand the film and televisions talent and expertise within the region.

6.19 The Council continues to expand the cultural offer within the city and is providing together with the Arts Council and the Leeds Playhouse significant investment in the redevelopment of the Leeds Playhouse.

Climate Emergency

6.20 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.

6.21 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.

6.22 To ensure that Leeds City Council plays its own part as an organisation and has credibility when engaging with others, the reports 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. A series of further recommendations are made to the Executive Board, which include the following:

- Commit to a rationalisation and energy efficiency programme which reduces emissions from council buildings by a further 40% by 2025;
- Purchase 100% of our electricity from green sources, supporting new renewable capacity;
- Purchase only low emission vehicles by 2025; and
- Remove payments for the use of staff petrol and diesel cars by 2025.

6.23 Across the current 2019/20 to 2022/23 capital programme we have c£200m of schemes ranging from flood alleviation £84m (including the funding for the natural flood management scheme), air quality zone related implementation and help with business to upgrade vehicles £47m, £16m of Council Housing Stock energy efficiency schemes, the Housing Leeds District heating scheme £36m, Street Lighting LED and other lighting replacement schemes £31m. The Council has provided £7.5m for the upgrade of its van fleet to electric. This Executive Board is considering approvals for other Climate Emergency options, £1.4m, and £800k for the retrofitting of Council buildings. This excludes the transport investment in Connecting Leeds and the Council's new council house building programme, both of which have low carbon at their heart.

6.24 Major projects include enhancing flood alleviation resilience continuing to build a cycling network, establishing a **District Heating Networ**k and the conversion of the Council's fleet to the latest emission standards including Conversion of Refuse collection vehicles to compressed gas. The Council is also introducing a congestion zone and will provide support to licenced taxis to convert to greener vehicles.

Other initiatives

6.25 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

7. Capital Programme Priority and Corporate Links

7.1 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.

8. Revenue implications

8.1 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

9. Funding Strategy

9.1 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.

9.2 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.

9.3 The main sources of funding available are:

- Government grants;
- Match funding;
- City region funding including the LEP;
- 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.

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

10. Risks

10.1 The risks associated with this strategy should be considered in the context of the Councils risk and governance reporting framework and the methods for monitoring and escalation.

11. Knowledge and Skills

11.1 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.

11.2 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.

11.3 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.

12. Investment Strategy

12.1 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.

12.2 Treasury management investments

12.2.1 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.

12.3 Contributions made by non treasury financial investments

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

12.3.2 The following table outlines the contributions made to service objectives made by the non treasury financial investments which the council held at 31st January 2019.

Investment	Investment Category	Value at 31st March 2019 £k	Cost of Acquisition £k	Nature of contribution made	Valuation Basis
Shareholding in Merrion House LLP	Equity	37,000	28,416	Efficient procurement of accommodation	Fair value
Leeds City Region Revolving Investment Fund LP	Equity	5,592	5,399	Promotion of economic development	Fair value
Loan to Leeds City Credit Union	Loan	1,190	1,190	Financial inclusion	Cost less provision
Assisted Homebuy Scheme (equity loans)	Loan	990	789	Access to affordable housing	Fair value
Loans to housing associations and other bodies	Loan	591	591	Access to affordable housing	Cost less provision
Equity loans to householders	Loan	312	312	Various including health and wellbeing, and low carborn.	Cost less provision
Council house mortgages	Loan	257	257	Access to affordable housing	Cost less provision
Loan to Headrow Moneyline	Loan	245	245	Financial inclusion	Cost less provision
Loans to Leeds Community Ventures Ltd	Loan	134	134	Efficient procurement of accommodation	Cost less provision
		46,311	37,333		

12.3.3 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. It should be noted that the values shown are as at 31st March 2019

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

12.4.1 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.

12.4.2 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.

12.4.3 Where necessary and dependent on the value of the proposed investment, external advice will be sought by officers before entering into financial investments.

12.4.4 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.

12.4.5 Of the £46.3m of current financial investments shown in the table in 12.3.2 above, £39.2m (84.5%) are either secured on property or relate to an underlying property asset.

12.4.6 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.

12.4.7 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.

12.4.8 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 2020/21 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 £3.7m. This limit does not relate to financial investments other than loans.

12.4.9 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.

12.5 Commercial Property Investment Strategy

12.5.1 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 a 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.

12.5.2 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.

12.5.3 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.

12.5.4 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.

12.5.5 The declared climate emergency will result in the Council ensuring that all capital investment will be in line with achieving a zero carbon city.

12.5.6 The Council will ensure that there is a proactive maintenance strategy in place to preserve the income that investment assets generate.

12.5.7 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.

12.5.8 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.

12.5.9 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.

12.5.10 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.

12.5.11 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.

12.5.12 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.

12.5.13 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.

12.5.14 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 range of £5 to £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 manged 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 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.

12.6 **Commercial Property Investment Activity to date**

12.6.1 As at 31st January 2020 the council has acquired a number of investment properties. The total acquisition cost of these properties was £112.3m, 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 2019/20 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	12,298,245
Swinegate Car Park	19,840,000	1,339,100	21,179,100	22,350,000
Sovereign Square (offices)	43,993,350	1,262,750	45,256,100	50,000,000
Paradigm Building (offices)	10,200,000	781,500	10,981,500	10,200,000
Thorpe Park (offices)	7,020,000	530,900	7,550,900	8,000,000
Logic Leeds Bldg 1 (industrial unit)	6,250,000	444,500	6,694,500	7,800,000
Trilogy Logic Leeds Unit D (industrial unit)	2,354,992	344,111	2,699,103	3,270,000
Trilogy Logic Leeds Unit E (industrial unit)	2,640,445	385,822	3,026,267	4,000,000
Trilogy Logic Leeds Unit F (industrial unit)	2,140,901	312,829	2,453,730	3,600,000
Apex View (offices)	8,003,323	524,715	8,528,038	8,200,000
Total	**112,468,011**	**6,429,827**	**118,897,838**	**129,718,245**

12.6.2 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.

12.6.3 The following table identifies the projected net yield from these assets for 2018/19 :

	2019/20 Estimated Outturn				
Asset	Annual Prudential Borrowing Charge £	Gross Income £	Net Income £	Yield %	Return on Investment %
Harper Street Car Park	510,000	(696,000)	(186,000)	6.61	1.77
Swinegate Car Park	667,000	(1,000,000)	(333,000)	4.72	1.57
Sovereign Square (offices)	1,401,000	(2,150,000)	(749,000)	4.75	1.66
Paradigm Building (offices)	346,000	(709,000)	(363,000)	6.46	3.31
Thorpe Park (offices)	234,000	(428,000)	(194,000)	5.67	2.57
Logic Leeds (industrial unit)	207,000	(453,000)	(246,000)	6.77	3.67
Trilogy Logic Leeds Unit D (industrial unit)	0	0	0	0.00	0.00
Trilogy Logic Leeds Unit E (industrial unit)	94,000	(177,000)	(83,000)	5.85	2.74
Trilogy Logic Leeds Unit F (industrial unit)	38,000	(85,000)	(47,000)	3.46	1.92
Apex View (offices)	338,000	(572,000)	(234,000)	6.71	2.74
Total	**3,835,000**	**(6,270,000)**	**(2,435,000)**	**7.98**	**3.10**

12.6.4 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.

12.7 **Proportionality**

12.7.1 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.

12.7.2 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.

12.7.3 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.

Appendix E

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: Bhupinder Chana	**Contact number: 88044**

1. Title: Capital Programme Update
Is this a: [X] **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 • 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**
Bhupinder Chana	Head of Finance Technical R&H	15th January 2020
Date screening completed		

7. Publishing	
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.** A copy of this equality screening should be attached as an appendix to the decision making report: • 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. Complete the appropriate section below with the date the report and attached screening was sent:	
For Executive Board or Full Council – sent to **Governance Services**	Date sent: 17th 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:

Appendix F

Capital Programme – Scheme Details (Organised by Capital Objective)

SEE ATTACHED PDF