

## CAPITAL PROGRAMME MONITORING AS AT 31<sup>st</sup> May 2015 & TREASURY MANAGEMENT REVIEW FOR 2014/15

### Purpose of the Report

1. This report provides the Month 2 monitoring statement on the City Council's Capital Programme for May 2015 and Annual Treasury Management Review for 2014/15. The first section covers the Capital Programmes with the Annual Treasury Management Review being covered from paragraph 10 and in **Appendix 3**.

### CAPITAL PROGRAMME MONITORING AS AT 31<sup>st</sup> MAY 2015

#### Summary

2. At the end of May 2015, the end of year position forecasts a variance of £5.2m (2%) below the approved Capital Programme. Project managers are forecasting to deliver a capital programme of £284.9m, the highest for five years.
3. The variance in the forecast is in the Housing (£8.0m below budget), Highways (£5.9m above pending approval of new projects) and Sheffield Retail Quarter (£2.2m below) programmes. These variances are discussed in greater detail below.
4. The Year to date position shows spending to be £1.0m (4%) below the approved programme profile. There are no significant variances to date in any of the portfolio programmes.

#### Financials 2015/16

<b>Portfolio</b>	<b>Spend to date</b>	<b>Budget to Date</b>	<b>Variance to date</b>	<b>Full Year forecast</b>	<b>Full Year Budget</b>	<b>Full Year Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
CYPF	6,143	6,877	(733)	38,710	39,210	(500)
Place	5,356	6,695	(1,339)	99,385	101,805	(2,420)
Housing	7,521	7,185	336	88,825	96,860	(8,035)
Highways	209	(1,123)	1,332	13,581	7,697	5,884
Communities	73	301	(228)	332	352	(20)
Resources	110	449	(339)	8,297	8,419	(122)
Corporate	5,096	5,096	-	30,574	30,574	-
<b>Grand Total</b>	<b>24,507</b>	<b>25,480</b>	<b>(972)</b>	<b>279,705</b>	<b>284,918</b>	<b>(5,213)</b>

## Capital Programme

Capital Programme	2015-16 £m	2016-17 £m	Future £m	Total £m
Council Approved Budget	262.4	160.8	309.8	732.9
Additions	4.3	5.1	0.0	9.5
Variations	0.6	0.0	-1.0	-0.4
Slippage & Acceleration	17.6	0.5	0.0	18.0
Month 2 Approved Budget	<u>284.9</u>	<u>166.4</u>	<u>308.8</u>	<u>760.1</u>

5. The revised programme reflects the transfer of slippage on projects which were not completed to profile in 2014 -15.

### Commentary

6. The 20 largest projects in the Capital Programme account for 76% of the current 2015/16 budget. The key variances by project include:
- A £2.3m slippage in the fitting of solar panels to council house roofs where the project is re-evaluating alternative delivery and financing options. The project will start in the autumn in order to realise the benefits from undertaking the work at the same time as the Roofing project where the scaffolding costs can be shared.
  - A £2.3m slippage in the Communal Areas refurbishment programme where an extended consultation period with leaseholders has delayed the start;
  - £0.8m slippage on the Council House stock increase programme following the insolvency of the original contractor and protracted negotiation with the new contractor over the price in order to keep within the approved budget;
  - £0.6m on Disabled Facility Grants. This programme forecast has been reviewed and will be re-profiled in the next report to deliver the original budget;

- £0.6m on Community Heating project which is being re-profiled into future years. Work has commenced on replacing the pipework at two locations;
- Sheffield Retail Quarter project works may slip £2.2m by the end of the year pending negotiations with the many stakeholders and partners in what is a very complex project. **The overall project remains on target,**
- The Highways programme is forecasting to deliver £5.9m of additional projects following the successful award of Better Buses programme funding. This report seeks Cabinet approval to accept the funding and include within the Capital Programme.

## Approvals

7. A number of schemes have been submitted for approval in line with the Council's agreed capital approval process.
8. Below is a summary of the number and total value of schemes in each approval category:
  - 21 additions of specific projects to the capital programme with a value of £13.3m.
  - 18 variations to the capital programme creating a net decrease of £7.1m.
9. Further details of the schemes listed above can be found in **Appendix 1**.

## Annual Treasury Management Review

10. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. **Appendix 3** of this report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). During 2014/15 the full Council received the Annual Treasury Strategy which sets out the Council's approach for the year as part of the 2015/16 Revenue Budget report. Reports were also taken to the Cabinet Member for Finance during the year.

11. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the 2014/15 outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
12. The Annual Treasury Management Review which summarises the actual activities for 2014/15 is attached to this report as **Appendix 3**. It was not possible to include the Annual Treasury Management Review as part of the 2014/15 outturn report due to the shortened timetable.

## Implications of this Report

### Financial implications

13. The primary purpose of this report is to provide Members with information on the City Council's Capital Programme for 2015/16 and Treasury Management Review, and as such it does not make any recommendations which have additional financial implications for the City Council.

### Equal opportunities implications

14. There are no specific equal opportunity implications arising from the recommendations in this report.

### Legal implications

15. There are no specific legal implications arising from the recommendations in this report.

### Property implications

16. Although this report deals with the Capital Programme, it does not, in itself, contain any property implications, nor are there any arising from the recommendations in this report.

## Recommendations

17. Cabinet is recommended to:
  - (i) Approve the proposed additions to the Capital Programme listed in **Appendix 1**, including the procurement strategies and delegations of authority to the Director of Commercial Services or nominated Officer, as

appropriate, to award the necessary contracts following stage approval by Capital Programme Group;

- (ii) Approve the proposed variations and slippage in **Appendix 1**; and
- (iii) Delegate to the Director of Finance and the Director of Legal Services the authority to finalise, and if satisfactory, accept, the conditions of the grant listed on **Appendix 2**; and note
- (iv) The latest position on the Capital Programme and emergency approvals of schemes;
- (v) The Annual Treasury Management Review summarised in paragraphs 10-12 and shown in further detail in **Appendix 3**.

### **Reasons for Recommendations**

- 18. To record formally changes to the Revenue Budget and the Capital Programme and gain Member approval for changes in line with Financial Regulations and to reset the capital programme in line with latest information.

### **Alternative options considered**

- 19. A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

**Dave Phillips**  
**Interim Director of Finance**



Scheme Description	Approval Type	Value £000	Procurement Route								
<p><b>HIGHWAYS Programme</b></p> <p><b>Highways 2015/16 Programme Changes</b>                      In brief the total Highways 15-16 programme is expected to outturn at £9,739k. This figure includes commuted sums, existing approvals, 14-15 slippage and the value of additions now presented for approval (These figures exclude the costs of the main Bus Rapid Transit Scheme and Highways Maintenance Division).</p> <p>The capital element of the programme is expected to outturn at £8,863k as outlined below:-</p> <table data-bbox="747 1323 925 1921"> <tr> <td>Existing Approved Budget</td> <td>£2,364k</td> </tr> <tr> <td>Slippage from 2014/15</td> <td>£ 500k</td> </tr> <tr> <td>Approvals now requested</td> <td>£5,749k</td> </tr> <tr> <td><u>Total Revised Programme</u></td> <td><u>£8,613k</u></td> </tr> </table> <p>The costs of the commuted sums associated with the current programme is £876k</p> <p>Appendix 1.1 shows the revised capital approvals requested for each scheme and the funding sources.</p> <p>It should be noted that certain funding streams do not fund commuted sums (Better Buses &amp; STEP). In these cases commuted sums are to be funded by revenue contributions or offset against negative commuted sums generated on other schemes. However the detail of the process for this offsetting is not yet finalised. The value of</p>	Existing Approved Budget	£2,364k	Slippage from 2014/15	£ 500k	Approvals now requested	£5,749k	<u>Total Revised Programme</u>	<u>£8,613k</u>	Additions / Variations	5,749	Single Source Tenders using Amey for highway design and highway construction projects that are not part of the Streets ahead projects & tender on the works contract for three schemes  See appendix 1.1 for full details and recommendations
Existing Approved Budget	£2,364k										
Slippage from 2014/15	£ 500k										
Approvals now requested	£5,749k										
<u>Total Revised Programme</u>	<u>£8,613k</u>										

<p>these commuted sums reliant on accrual savings elsewhere is £429k over 10 schemes.</p>			
<p><b>BRT North WP 24 Highways Alterations</b>                  This element of the BRT project is to deliver junction alterations from City Centre to the Wicker, along Saville St, Attercliffe Rd, Carbrook St, Dunlop St, Weedon St and Meadwhall Way.                  A saving has been generated through management of the risk allocation.                  This saving is to be transferred to BU 93898 to partially mitigate overspend position on Work Package 21 of the programme, the main Tinsley Link Road.</p>	Variation	-153	N/A Variation
<p><b>BRT North WP 14 Land Purchase</b>                  This element of the BRT project is to deliver the CPO agreed to buy land to facilitate BRT North route: City Centre to the Wicker, along Saville St, Attercliffe Rd, Carbrook St, Dunlop St, Weedon St and Meadwhall Way.                  A saving has been generated due to lower than projected land costs.                  This saving is to be transferred to BU 93898 to partially mitigate overspend position on Work Package 21 of the programme, the main Tinsley Link Road</p>	Variation	-1,069	N/A Variation
<p><b>BRT North WP 21 Tinsley Link</b>                  This element of the BRT project is to build the Tinsley Link road on land between Meadowhall Way and Sheffield Rd forming part of the Bus Rapid Transit route from Sheffield to Rotherham. This will also reduce traffic on the M1 junction 34.                  Due to asbestos contamination in the soil and the diversion of an unmarked sewer the project delivery has slipped substantially and as a result the costs of this element have risen by £7.2m. This variation is to vire the £1,222 projected underspend on Work Packages 14 and 24 as outlined above to work package 21.                  A funding package to cover the remaining additional costs is currently being finalised and will be brought forward for subsequent approval.</p>	Variation	1,222	



HOUSING Programme			
<p><b>Recycling Rollout Phase 2</b> This project will provide communal recycling facilities to blocks of Council flats and maisonettes throughout the city. Facilities will comprise an external hard standing to each site and may include security posts or wall brackets, to which recycling bins will be fixed, preventing movement of the bins and vandalism.</p> <p>In 2012, Veolia and Sheffield City Council agreed to proceed with fortnightly collection/emptying of recycling bins to domestic properties. Some SCC owned flats and maisonettes sites were easy to install recycling facilities but the others require the traditional weekly bin collections. Veolia have been levying charges for these extra collections and therefore will be a revenue saving on completion of the project.</p> <p>To encourage local contractors to tender for this project, it is intended to split the project into three Lots of one large covering North Sheffield, and, two small covering the rest of the City.</p> <p>The total Project budget is £1.646m, funded by the Housing revenue account. This budget is being held in the block allocation which will be reduced by this amount.</p>	Addition	1,577	Full Competitive Tender (split into 3 contracts)
<p><b>Waste Management Programme</b> Block allocation for the waste management programme. It is funded by the Housing Revenue Account funding stream. This reduction is to fund the Recycling Rollout Phase 2, for details see above submission.</p>		-1,577	
<p><b>New Build Council Housing Phase 2</b> New Build Council Housing Phase 2 aims to build 45 new general needs Council homes at an affordable rent. This follows on from Phase 1 of the project, which</p>	Addition	6,435	- Homes and Communities

<p>delivered 51 homes. The project is part of a wider stock increase programme that aims to deliver 1,000 additional council homes, mostly through acquisition of existing properties.</p> <p>The principal benefit of this project, as with the linked Council Housing Acquisitions Project, will be the replenishing of the Council's housing stock, which is essential to the health of the self-financing HRA Business Plan and to the provision of the affordable housing that the city needs. The particular benefits to be gained from building <u>new</u> homes are:</p> <ul style="list-style-type: none"> <li>• 45 new homes in the City</li> <li>• Five vacant sites regenerated</li> <li>• Approximately £6m of additional economic activity</li> <li>• Different types of social housing (e.g. wheelchair accessible)</li> <li>• Better quality social housing (e.g. higher standards of insulation)</li> </ul> <p>Cost assumptions have been made based on the latest tender costs for Phase 1. This has given an estimated <u>capital</u> cost of £132k per unit.</p> <p>Based on Phase 1, the estimated costs for Phase 2 are as follows:</p> <table border="1" data-bbox="992 976 1313 1766"> <thead> <tr> <th>Cost element</th> <th>£K</th> </tr> </thead> <tbody> <tr> <td><b>Capital</b></td> <td></td> </tr> <tr> <td>Contract Sum</td> <td>5,440</td> </tr> <tr> <td>CDS Project Management &amp; COW</td> <td>90</td> </tr> <tr> <td>Design Team</td> <td>110</td> </tr> <tr> <td>Planning Fees</td> <td>20</td> </tr> <tr> <td>Contingency</td> <td>270</td> </tr> <tr> <td><b>Total Capital Cost</b></td> <td><b>5,930</b></td> </tr> </tbody> </table>	Cost element	£K	<b>Capital</b>		Contract Sum	5,440	CDS Project Management & COW	90	Design Team	110	Planning Fees	20	Contingency	270	<b>Total Capital Cost</b>	<b>5,930</b>		<p>Agency (HCA) Framework. HCA DPP early expression of interest to assess the market interest. OJEU compliant tender to follow if required. Single stage selective tendering using the Standard Form of Design and Build Contract A number of recommendations are included in this procurement strategy:</p> <ol style="list-style-type: none"> <li>1. Surveys – CPG to grant approval to proceed with the organisation and tendering</li> </ol>
Cost element	£K																	
<b>Capital</b>																		
Contract Sum	5,440																	
CDS Project Management & COW	90																	
Design Team	110																	
Planning Fees	20																	
Contingency	270																	
<b>Total Capital Cost</b>	<b>5,930</b>																	

<b>Revenue</b>	
Site investigations and valuations*	30
Staff Costs: Regeneration*	35
Staff Costs: Planning Delivery Service*	25
<b>Total Revenue Cost</b>	<b>100</b>
<b>Total Project Cost</b>	<b>6,030</b>

Capital funding has been identified as follows:

<b>Capital funding source</b>	<b>£K</b>
DCLG-approved additional borrowing	3,270
Standard HRA borrowing	1,165
RTB Receipts – Local Authority Share	1,495
<b>Total Capital Funding</b>	<b>5,930</b>
<i>Total Revenue Funding</i>	<i>100</i>
<b>Total Project Funding</b>	<b>6,030</b>
<b>% RTB LA Share funding required</b>	<b>24.8%</b>

It should be noted that significant standard HRA borrowing is to be employed alongside the additional borrowing approved by DCLG. This is due to Affordable Rents being relatively high in S12, which allows more borrowing to be undertaken against future rental income.

				of the required site surveys (NB – revenue funded and not included within the associated CAF)
				2. Enabling – CPG to grant approval to proceed with procurement (via YorCivils) for site enabling works in preparation of the D&B contract D&B procurement
				3. D&B procurement

			<p>nt strategy – CPG to grant approval to proceed with early Expression of interest (via HCA DPP) for main D&amp;B contract. If insufficient interest from HCA then CPG approves the commence ment of an OJEU tender process 4. Design team waiver – CPG to grant approval for</p>
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<p><b>Stock Increase (CHS)</b>                  This block allocation is the holding account for the Housing Stock Improvement programme with a budget of 74.5m. This is made up from section 106 of 2.6m, Government grant of 50k, Leaseholder contributions of 295k, Housing Revenue account funding of 13.6m right to buy funding of 24.6m and prudential borrowing of 34m.                  This reduction is to fund the New Build Council Housing Phase 2, for details see above submission</p>			-6,435	<p>appointment of the design team via a waiver.                  5. To grant delegated authority to the Director of Commercial Services or his/her nominated deputy to award a contract for this project.</p>
	Variation			

<b>PLACE Programme</b>					
<b>Competitive City:-</b>					
<b>Sheffield Retail Quarter: Demolition Works</b>					
<p>Sheffield City Council is committed to the redevelopment of the city centre to a modern vibrant leisure and retail offer to visitors and residents alike. On 6<sup>th</sup> June 2014 the Council approved £61m of borrowing to acquire the necessary land and develop a project plan and developer agreement.</p> <p>The Council now wishes, subject to planning permission, to commence the demolition of buildings including the former Grosvenor Hotel. Initial surveys have identified that this building is contaminated with asbestos and will require removal. This approval will provide for the demolition of the buildings.</p> <p>The Efficiency North framework has a good list of experienced asbestos removal contractors and is recommended for this element of the work. Demolition will be sourced from an open tender list.</p> <p>The project will be funded from additional borrowing.</p>	Addition	3,785	Asbestos removal via Efficiency North framework.  Demolition via full open competitive tender		
<b>Porter Brook Remedial Works</b>					
<p>The project comprises the replacement of the derelict riverbank wall, which is in danger of collapse into the Brook, with a new gabion wall and the construction of a new pocket park and the first link of a new Porter Brook riverside walk, within an existing car park adjacent to the Porter Brook River.</p> <p>It will be constructed on a sloping site, the park will be split into different levels with</p>	Variation (EMT)	43	N/A		

<p>each level being separated by stone filled gabion baskets with sandstone copings and painted railings. Paved surfaces will be concrete paving with a brushed surface finish. A grassed bank will be created along with several planting beds containing trees and shrubs.</p> <p>Following the tender / value engineering exercise, the submitted costs are £22k higher than the approved budget, plus £15k additional compensation to the current leaseholder and £7k due to further obligations imposed by the Planning Department .</p> <p>It is therefore necessary to increase the overall project budget from £440k to £483k funded from S106 agreements.</p>			
<p><b>Thriving Neighbourhoods</b></p>			
<p><b>Clean Bus Technology</b>                  DfT have offered a grant of £351,875 to enable the retrofitting of buses with the flywheel technology.</p> <p>Bid submissions to DfT had to be led by a local authority but have sign up from a bus operator. Sheffield City Council was successful and was awarded funding to convert Stagecoach diesel buses to operate on flywheel system that utilises the energy emitted from the engine boost output; this in turn reduces fuel consumption and tailpipe emissions.</p> <p>DfT award the funds and the Council will manage it, acting as accountable body, and ensure that Stagecoach comply with the terms of the MoU and grant agreement between the Council and Stagecoach (Trading as The Yorkshire Traction Co Ltd). Stagecoach will procure the service, with the converted vehicles belonging to Stagecoach at the end of the project.</p>	<p>352</p>	<p>Addition</p>	<p>N/A</p>

<p>There has been a delay in delivery as the initial bid was to utilise compressed natural gas (CNG) as a fuel for 5 buses (and associated retrofitting) and to construct a refuelling site at the Stagecoach site at Ecclesfield. However, over the course of the early stages of the project it emerged that the Stagecoach group nationally had a poor experience with CNG and that a decision to use this technology in Sheffield was delayed by 10 months in order to ascertain if the problems could be resolved. The conclusion of which was that flywheel technology would present less risk but could be undertaken on twice as many buses for the same costs.</p> <p>DfT were notified and accepted this major revision to the scheme.</p> <p>The scheme fits with a number of strategic objectives:</p> <ul style="list-style-type: none"> <li>• Links with GPTL outcomes:             <ul style="list-style-type: none"> <li>○ “Neighbourhoods are distinctive, well-planned and designed, with good air quality and resilience to flooding.”</li> <li>○ “Neighbourhoods are safe, clean and sustainable.”</li> </ul> </li> <li>• Also links with wider SCC objectives to help reduce air pollution levels within the cities legally declared Air Quality Management Area. This provides evidence required by UK Govt to demonstrate how the city is working towards achievement with EU air quality limit values, and thereby prevent infraction proceedings and multi-million pound fines being potentially passed down to local authorities.</li> <li>• The Sheffield Fairness Commission aspiration is to improve air quality in Sheffield and so improve people’s health and wellbeing.</li> </ul> <p>SCC will be the accountable body for the funding, with all works being carried by Stagecoach through their normal tendering procedures. There will be no capital assets belonging to the council at any stage of the project</p>		
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<p>In addition to the revision to the scheme Stagecoach requested some amendments to the agreement that was to be entered into with the Council, the form of which had been approved by the Leader on 25 February 2014. The Council have been negotiating with Stagecoach in relation to these changes. At this time (20/05/2015) the agreement is still with Stagecoach, it is therefore recommended that if Cabinet approves this CAF that it also delegates authority to The Director of Regeneration and Development Services in conjunction with Executive Director of Resources to approve the final form of the agreement with Stagecoach, which will reflect the changes to the form of agreement previously approved by the Leader including the change to using flywheel technology from CNG.</p>			
<p><b>Parks</b></p> <p><b>Ouseburn Road Improvements</b>                  As part of the planning conditions for new housing on Ouseburn Road / Ouse Road, the Developer (Sheffield City Council) is required to provide improvements to the offsite open space to the north east of the site (which is currently managed by Parks &amp; Countryside service).</p> <p>The site which is adjacent to the housing development is currently in poor quality. The aim of the project is to deliver improvements to raise the quality of the site to Sheffield Standard and meet the planning conditions by delivering the following: removal of the former playground, improving the 130 metres of boundary, 600 m<sup>2</sup> tarmac removal and re-seeding, improving entrances and carrying out tree planting and habitat improvements.</p> <p>S106 funding of £50.5k is available for this project (£43k Capital, £6k for future maintenance and £1.5 planning fee), with a possibility of further S106 to deliver additional works (which will be subject to the Capital Approval process).</p>	<p>Addition</p>	<p>43</p>	<p>In-House providers &amp; 3 quotes for the entrance and habitat design.</p>

<p><b>SUCCESSFUL CHILDREN &amp; YOUNG PEOPLE :-</b></p> <p><b>Mechanical Programme</b>  This programme has been commissioned by CYPF to review heating and mechanical works at schools across the Sheffield City Council estate and will consist of a rolling programme of condition surveys and then resultant works. The information from the surveys is used to prioritise capital resources into programmes of work that will have the most impact on maintaining buildings that are fit for purpose and prevent the closure of CYPF buildings, especially schools.</p> <p>This is a general programme of works to ensure compliance with statutory requirements; ensuring emergency mechanical works are carried out in a timely manner to prevent school closures, including: heating plant renewal, calorifiers renewal, pipe work renewal, and any other works mechanical work required that require urgent attention to maintain business continuity.</p> <p>Specifically: this project requests approval for feasibility and design (£15.5k) for future heating system works and immediate implementation (£102k) for necessary plant room upgrade works, at the school sites listed below:</p> <ul style="list-style-type: none"> <li>• <b>Pipworth Community Primary</b> – Plant Room: £117.5k (inc. £15.5k feasibility)</li> <li>• <b>Gleadless Primary (Jnr site)</b> – Plant Room: £87k</li> <li>• <b>Brook House Junior</b> – Plant Room: £92k</li> <li>• <b>Royd Nursery Infants</b> – Plant Room: £93k</li> <li>• <b>Woodseats Primary</b> – Plant Room: £105.85k</li> <li>• <b>Rivelin Primary</b> – Plant Room: £43k</li> <li>• <b>Firshill Primary</b> – Replace boiler : £80k</li> <li>• <b>Ballifield</b> – Plant Room: £85k</li> <li>• <b>Wisewood Sports Centre</b> – Water Heater: £12.85k</li> </ul>	Addition	741.2	Feasibility: In House Delivery Works: CSSR Contract - Kier
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<p>• <b>Hucklow Primary 4-11 – Warm Air Units: £25k</b></p> <p>All the above work is to be funded from a Department of Education grant funded Capital Maintenance block allocation.</p> <p><b>Rainbow Forge Heating, Mechanical and Electrical</b></p> <p>A feasibility study is to be carried out at this site to find the best way to ensure the school's Heating and Hot Water System is adequate and meets required standards. The results of the study will be used to inform the most appropriate solution for any ensuing works to be completed. Specifically: this project is requesting approval for feasibility and design works to look at heating provision (£13.5k) plus an asbestos survey (£5k) prior to the anticipated construction works taking place. The work is to be funded from a Department of Education grant funded Capital Maintenance block allocation.</p>	<p>Addition (feasibility)</p>	<p>18.5</p>	<p>In House Delivery</p>
<p><b>Window and Roof Replacement Programme</b></p> <p>This programme is part of an on-going planned programme of window maintenance and replacement across the Sheffield schools' estate, which targets schools based on condition survey data and addresses the highest priority sites first. This year it is planned to install replacement windows at Meersbrook Bank and Shortbrook Primary schools and replacement roofing at Meersbrook Bank and Bradway Primary Schools.</p> <p>The schools will benefit from energy efficiencies through more efficient insulation and the improvement of the learning environment and security to Sheffield City Council city wide standards.</p> <p>Approval is sought for initial feasibility works at the following sites:</p> <ul style="list-style-type: none"> <li>• <b>Pmy Maint Meersbrook Windows &amp; Roof-</b> feasibility: £8.25k</li> <li>• <b>Pmy Maint Bradway Roof -</b> feasibility: £4k</li> <li>• <b>Pmy Maint Shortbrook Windows –</b> feasibility: £4k</li> </ul>	<p>Addition (feasibility)</p>	<p>16.3</p>	<p>In House Delivery</p>

<p>The works are to be funded from a Department of Education grant funded Capital Maintenance block allocation.</p> <p><b>Halfway Infants Mobile Replacement – Feasibility</b>                  A rolling programme of condition surveys provides information that is used to prioritise capital resources into programmes of work that will have the most impact on maintaining buildings that are fit for purpose and prevent the closure of CYPF buildings, especially schools.</p> <p>Within these programmes the data enables us to rank buildings according to the scale and urgency of work required. Halfway is ranked No.1 for replacement and this request is for approval of feasibility works of up to £7.5k, to look at the best proposed solution for a replacement mobile unit at the site.                  The work is to be funded from the Capital Maintenance block allocation.</p>	<p>Addition (feasibility)</p>	<p>7.5</p> <p>In House Delivery</p>
<p><b>Capital Maintenance Block Allocation</b>                  Funding is to be drawn down from this block allocation to address the following funding adjustments as detailed above:</p> <ul style="list-style-type: none"> <li>• Rainbow Forge – Feasibility : £18.5k</li> <li>• Mechanical Programme: £741.2k</li> <li>• Halfway Infants – Feasibility: £7.5k</li> </ul> <p>Windows and Roof Programme – feasibility: £16.3k</p>	<p>Variation</p>	<p>-783.5</p> <p>N/A</p>
<p><b>Growth Programme – Primary and Secondary Feasibility</b>                  This project covers initial feasibility and design works for proposed primary and secondary school expansion works across the Sheffield City Council estate.                  A variation of £149,802 is currently requested to cover the anticipated costs to look at the 2015-16 programme. This work will support the forthcoming consultation process to determine the most appropriate places for expansion. Costs are to be reallocated to individual school projects as appropriate once development works take place.                  The additional cost is to be funded from a Department of Education grant funded Basic</p>	<p>Variation</p>	<p>150</p> <p>In House Delivery</p>

<p>Need block allocation.</p>	<p>Variation (EMT)</p>	<p>30</p>	<p>N/A (Procurement of the additional Highway works will be through the AMEY contract)</p>
<p><b>PPG2 – Acres Hill Primary</b> This project was originally commissioned as internal remodel to allow for increased student numbers. This variation is to request an increase of £29,963 to provide for the installation of two raised crossing points outside the school as a traffic calming measure. The additional cost is to be funded from a Department of Education (DfE) grant funded Basic Need block allocation.</p>	<p>Variation</p>	<p>0*</p>	<p>N/A</p>
<p><b>Don Valley School</b> This is a variation to record the substitution of S106 funding to school projects, thus reducing the demand on the DfE Basic Need funding grant and freeing up that resource to fund school expansion to meet the increasing demand for school places. A total of £456k is to be applied from S106 funding agreements. *There is no net change to the cost of the project.</p>	<p>Variation</p>	<p>0*</p>	<p>N/A</p>
<p><b>Wybourn Expansion</b> This is a variation to record the substitution of S106 funding to school projects, thus reducing the demand on the DfE Basic Need funding grant and freeing up that resource to fund school expansion to meet the increasing demand for school places. A total of £150k is to be applied from S106 funding agreements. *There is no net change to the cost of the project.</p>	<p>Variation</p>	<p>0*</p>	<p>N/A</p>
<p><b>Basic Need Block Allocation</b> Funding is to be both drawn down and added back to this block allocation to address the following funding adjustments as detailed above:</p> <ul style="list-style-type: none"> <li>• Acres Hill Primary – traffic calming measures: -£30k (applied)</li> <li>• Growth Programme – Primary &amp; Secondary Feasibility: -£150k (applied)</li> <li>• Don Valley School – allocation of S106 Funding in place of Basic Need funds: £456k</li> </ul>	<p>Variation</p>	<p><u>426</u>  -180 <i>applied funds</i>  +606 <i>income</i></p>	<p>N/A</p>

<ul style="list-style-type: none"> <li>Wybourn Expansion - allocation of S106 Funding in place of Basic Need funds: £150k</li> </ul>		adjustment	
<p><b>RESOURCES Programme:-</b></p>			
<p><b>Stocksbridge Library FRA</b></p> <p>This project addresses works necessary as a result of Fire Risk Assessment and DDA (Disability Discrimination Act, 1995) reviews at Stocksbridge Library, a building 100% owned by Sheffield City Council. The Local Authority is in receipt of an improvement notice from South Yorkshire Fire &amp; Rescue and currently has in place temporary management procedures mitigating both the notice and identified work.</p> <p>The works have been commissioned as part of a rolling programme of condition surveys, which provides information to prioritise capital resources into programmes of work that will have the most impact on maintaining buildings that are fit for purpose.</p> <p>The works will ensure there is an effective fire management system in place that supports the fire strategy of the building and is required as a result of a recent Fire Risk Assessment and will comprise electrical fire systems installation (alarm, emergency lighting) with some general builders work creating segregation of the open areas.</p> <p>Additionally, design and delivery of DDA works are to take place to bring the building up to required standards. These include a passenger lift, provision of wider door sets, an entrance ramp and a new disabled toilet.</p> <p>It is funded from the Health &amp; Safety block allocation, using Corporate Resource Pool Capital Receipts.</p>	<p>Addition</p>	<p>305</p>	<p>Competitive Tender</p>
<p><b>Health &amp; Safety Block Allocation</b></p> <p>Funding is to be drawn down from this block allocation to meet the costs of Fire Risk Assessment and Disability Discrimination Act works at Stocksbridge Library, as noted</p>	<p>Variation</p>	<p>-305</p>	<p>N/A</p>

above.				
<b>PROCUREMENT STRATEGY</b>				
<b>Place – Competitive City Programme</b>				
<p><b>Grey to Green - Public Art</b></p> <p>This project will provide Public Art as part of the Grey to Green Phase 1 – Sheffield Riverside Business District project. The inclusion of Public Art was always envisaged as part of the Grey to Green Phase 1 project but was not included in the Grey to Green Phase 1 Procurement Strategy due to funding uncertainties. Following a competitive tender on the Grey to Green Phase 1 project sufficient savings have been made to confidently allow this part of the project to proceed. European Regional Development Funding have now confirmed that they will allow their portion of the remaining budget to be used for this project and a variation will be submitted to seek approval to use part of the remaining budget for the Public Art project.</p> <p>The total budget for this part of the project is £160k split as follows:                  Construction Cost - £65k                  Client Costs Capital - £85k (£20k Foundations; £40k Artists Commissions; £25k Commuted Sums (Amey Maintenance)                  Fees - £10k                  Funded by £64k of ERDF which is included as an approved variation to the original Grey to Green Phase 1 – Sheffield Riverside Business District funding agreement.</p>				<p>1. Foundations and metalwork structures carried out by a variation to the existing Grey to Green Phase 1 contract with North Midland allowing NM to sub-contract via 3 quotes, subject a price and quality check.</p> <p>2. Artists Commissions – small value artwork to be installed in the metalwork structures following competitive tender advert.</p>

<p><b>Successful Children and Young People</b></p> <p><b>Tinsley Primary</b>                  This project will provide for the replacement and expansion of the existing separate Nursery Infant and Junior schools. Increasing pupil numbers in the Tinsley area, combined with poor existing accommodation create the opportunity to provide a single, replacement school. A replacement school would also relocate the school from its proximity to the M1 Motorway and therefore create a better environment for the school and its pupils.                  Procurement route to be in-house / delivery partner design and the construction works via the YORbuild framework. A tender list will be sourced from YORbuild. This will ensure that regional contractors are selected and that outcomes for Employment, Training and Development are achieved. A competitive tender will then be undertaken to select a contractor from the list. In addition SCC will undertake appropriate financial checks on the list of contractors in order to minimise the risk of financial exposure.</p> <p><b>Recommendation:</b> - To approve the procurement of the Tinsley Meadows New School contract, using a competitive mini-competition process through the YORbuild framework (or a competitive tender process in the event of insufficient interest being elicited from the framework.                  To grant delegated authority to the Director of Commercial Services or his/her nominated deputy to award a contract for this project.</p>			Change of procurement strategy to reflect new project costs of £9.0m
<p><b>EMERGENCY APPROVALS:- (Note only)</b></p>			
<p><b>Children and Young People</b></p>			
<p><b>Tinsley Primary</b>                  This project will provide for the replacement and expansion of the existing separate</p>	Variation	8,448	Competitive Tender -



<p>Nursery Infant and Junior schools. Increasing pupil numbers in the Tinsley area, combined with poor existing accommodation create the opportunity to provide a single, replacement school. A replacement school would also relocate the school from its proximity to the M1 Motorway and therefore create a better environment for the school and its pupils.</p> <p>The scheme comprises remodelling of the existing Tinsley Green community building and a new build extension to provide the required accommodation for a three-form-entry primary school and 78 place nursery. The project will replace the existing school buildings and offer a long-term, sustainable answer to the issues identified with the growing population, the current buildings, and the impacts of pollution.</p> <p>The scheme progressed through local consultation and was given approval in principle to go ahead on the Tinsley Playing Fields site by way of a <u>Leader's Decision</u> on 23<sup>rd</sup> January 2015.</p> <p>Thus, following the earlier approval for the design costs of £551.9k, emergency approval was sought to add a further £8.4m to reflect total project costs and bring the total for the project to £9m. The scheme is funded by £1.844m Targeted Basic Need (TBN) direct funding (of which £0.552m has already been applied to the Design stage) and £7.156m Basic Need funding drawn from the Department for Education Block Allocation.</p>			YORbuild
<p><b>Basic Need Block Allocation</b>                  This block allocation exists to support the demand on pupil place provision and is funded from an annual Department of Education Basic Need funding allocation. The variation here is to reflect the amount to be drawn down from this block allocation to support the relocation of Tinsley Primary school as noted above, with the remaining balance being directly funded from Targeted Basic Need funding.</p>	Variation	-7,156	N/A
<p><b>Grace Owen Nursery</b></p>	Variation	230	Strategy and

<p>The relocation of Grace Owen Nursery on the Park Hill complex was identified as an integral part of the regeneration of the site. The developer, Urban Splash offered a unit into which the Nursery could be relocated, with outdoor play provision and community use.</p> <p>In March 2012 approval was given to appoint Parkhill developers Urban Splash to develop the Nursery Provision with a budget of £895k.</p> <p>Subsequent delays to the overall scheme prevented the progression of this. The developer is now in a position to deliver the Nursery provision, however the cost estimate has now increased by £230k to £1,125k. This increased costs will be met from New Homes Bonus.</p>			<p>procurement approval to go via a LSoD submitted with the emergency approval (not yet signed)</p> <p>Parkhill Developer as per March 2012 procurement strategy.</p>
<p><b>RESOURCES:-</b></p> <p><b>Moorfoot Accommodation Strategy</b></p> <p>Additional reconfiguration work at Moorfoot to allow the relocation of Capita staff and exit from Derwent House in the Capital Programme, and, to include as part of a wider scheme of work, adaptations to provide for disabled access to the building (powered door openers and platform passenger lift to car park), and to essential health and safety improvements (renew the obsolete Public Address system).</p> <p>The capital investment cost for the works is estimated at £1,040,900;</p> <p style="text-align: right;"><b>Total           £1,040,900.</b></p> <p style="text-align: right;"><b>Less: Existing Approval        <u>£615,000</u></b></p> <p style="text-align: right;"><b>Additional Funding Required       £425,900.00</b></p>	<p>Variation</p>	<p>885</p>	<p>Strategy to go via a LSoD with the Emergency Approval</p> <p>Tender list be sourced from the YORbuild framework.</p> <p>A competitive tender will then be undertaken to select a contractor from</p>

<p>Plus Provision for Disabled Access (Doors) £257,000.00</p> <p>Provision for Disabled Access (Platform Passenger Lift) £32,100.00</p> <p>Essential H&amp;S Works (Replacement Public Address System) £170,000.00</p> <hr/> <p><b>Total Additional Approval Requirement</b> <b>£885,000.00</b></p> <p><i>Funding:</i></p> <ul style="list-style-type: none"> <li>• The additional works totalling £885,000 are to be funded as follows:             <ul style="list-style-type: none"> <li>• £425,900 from prudential borrowing - to be recovered via the levying of a commercial rent from Capita services occupying Moorfoot in addition to those servicing the Sheffield City Council service agreement during the period of the contract;</li> <li>• £459,100 from Corporate Resource Pool funds, to cover:                 <ul style="list-style-type: none"> <li>○ £289,100 for Disabled Access works (£257,000 for doors plus £32,100 for a lift) - funded from the Provision for Disabled Access block allocation (£225k – fully exhausting this) and the balance from the Health &amp; Safety Compliance block allocation;</li> <li>○ £170,000 for a replacement Public Address System - funded from the Health &amp; Safety Compliance block allocation.</li> </ul> </li> </ul> </li> </ul>		the list.
<p><b>DIRECTOR VARIATIONS:- (None)</b></p>		



Appendix 1.1

Highways 2015 / 16 Programme Theme	BU	Description	Approved Budget 2015/16	Slippage Addition from 2014/15	Month 2 Variation	Revised Allocation 2015/16	Capital by Funding Source				Total Funding
							LTP	BB	Step Funding	Third Party or Other	
Accident savings	93632	SCHOOL KEEP CLEAR REVIEW	89,425	4,385	20,000	24,385	24,385			24,385	
Accident savings	93769	ACCIDENT SAVING SCHEMES			425,000	514,425	514,425			514,425	
Accident savings	93870	INNOVATIVE TRAFFIC CALM STUDY		8,000	40,000	48,000	48,000			48,000	
Accident savings	94438	RS AUDIT S & SCHEME COMPLETION			90,000	90,000	90,000			90,000	
Accident savings	97585	CITYWIDE 20MPH ZONE			250,000	250,000	250,000			250,000	
Accident savings	92928	SAFETY CAMERA UPGRADE			820,000	820,000	820,000			820,000	
Sub total (Accident Savings)			89,425	12,385	1,645,000	1,746,810	1,746,810	0	820,000	1,746,810	
Accessibility	91682	PUBLIC RIGHTS OF WAY	160,000		144,000	144,000	144,000			144,000	
Accessibility	93050	SE ACCESSIBILITY	20,000		25,000	25,000	25,000			25,000	
Accessibility	93051	NW ACCESSIBILITY	15,000		20,000	20,000	20,000			20,000	
Accessibility	93052	SE ACCESSIBILITY	70,000		80,000	80,000	80,000			80,000	
Accessibility	93053	SW ACCESSIBILITY	30,000		28,000	28,000	28,000			28,000	
Accessibility	93104	STREETS AHEAD OPFS SE SHEFF	75,000		0	75,000	75,000			75,000	
Accessibility	93105	STREETS AHEAD OPFS NW SHEFF	75,000		0	75,000	75,000			75,000	
Accessibility	93106	STREETS AHEAD OPFS SW SHEFF	75,000		0	75,000	75,000			75,000	
Accessibility	93350	STREETS AHEAD OPPORTUNITIES	75,000	5,000	0	80,000	80,000			80,000	
Accessibility	94511	A57 MCESTERNEST CROPPED/IMP	585,000	5,000	0	5,000	5,000			5,000	
Sub Total (Accessibility)			20,000	20,000	119,000	720,000	720,000	0	40,000	720,000	
Cycling	90703	BLACKBURN VALLEY CYCLE ROUTE	20,000		10,000	10,000	10,000			10,000	
Cycling	92741	PENSTONE RD LIVES/LOW THER			75,000	75,000	75,000			75,000	
Cycling	92803	LOWER DON VALLEY CYCLE ROUTE			280,000	280,000	280,000			280,000	
Cycling	92813	LITTLE DON LINK (CYCLE ROUTE)			186,475	42,000	280,000			42,000	
Cycling	92914	GREEN ROUTES NETWORK			80,000	92,000	92,000			92,000	
Cycling	93370	STREETS AHEAD RELATED CYCLE	234,437		180,000	180,000	180,000			180,000	
Cycling	93389	PEAK PARK ANNIVY ROUTE XINGS	24,749		6,000	6,000	6,000			6,000	
Cycling	TBC	10 DAY TRAVEL CHALLENGE			25,000	25,000	25,000			25,000	
Sub Total (Cycling)			505,186	25,225	561,289	1,090,000	1,090,000	0	480,000	327,000	1,090,000
Network management	92634	SPITAL HILL (TESCO) SIGNING	25,000		6,811	6,811	6,811			6,811	
Network management	92650	SPITAL HILL (TESCO) SIGNING	51,746		106,796	106,796	106,796			106,796	
Network management	92651	ABBAYLE RD CLEARWAY CHANGES	1,500		4,000	4,000	4,000			4,000	
Network management	92652	DOUBLE YELLOW LINES	25,000		1,594	1,594	1,594			1,594	
Network management	93095	TAXI RANK IMPROVEMENTS	6,000		6,000	6,000	6,000			6,000	
Network management	93357	2+ LANES	17,698		3,000	3,000	3,000			3,000	
Network management	97982	HGV ROUTING STRATEGY	30,000		30,000	30,000	30,000			30,000	
Network management	97986	TRAFFIC CONTROLLER UPGRADES	8,000		18,000	26,000	26,000			26,000	
Network management	97988	CCITY PARKING ENFORCEMENT	108,078		150,000	150,000	150,000			150,000	
Network management	TBC	SPRINGWOOD GREENHILL PARKWAY			30,000	30,000	30,000			30,000	
Network management	TBC	SHREVE CLIFFS PARKWAY MANAGEMENT			150,000	150,000	150,000			150,000	
Network management	TBC	OLD FLATS BRIDGE			150,000	150,000	150,000			150,000	
Sub Total (Network Management)			203,776	102,150	523,224	829,150	829,150	0	300,000	339,151	829,151
Public transport	93110	BB2 CHESTERFIELD RD KBR	200,000		314,013	514,013	514,013			514,013	
Public transport	93111	BB2 NORTH SHEFFIELD 2 KBR	130,000		699,222	739,222	739,222			739,222	
Public transport	93112	BB2 SHEFFIELD GLEADLESS KBR	172,290		1,155,156	1,327,446	1,327,446			1,327,446	
Public transport	93113	BB2 CITY CENTRE PACKAGE	200,000		45,000	229,862	229,862			229,862	
Public transport	93425	FIELD CROSSLANE FORCENMINT	50,000		14,000	64,000	64,000			64,000	
Public transport	93426	BOSTON STREET BUS GATE			47,589	47,589	47,589			47,589	
Public transport	93427	SOUTH LANE BUS GATE			7,792	7,792	7,792			7,792	
Public transport	93887	BRT NORTH			384,000	384,000	384,000			384,000	
Public transport	94180	ECC RD SMART RT-PI-5-BENTS GR			2,000	2,000	2,000			2,000	
Public transport	94202	KEY BUS RTE-SHEFF-WOODHOUSE			40,000	40,000	40,000			40,000	
Public transport	94445	BNM02 BUS AGREEMENT	403,253		153,771	557,024	557,024			557,024	
Sub Total (Public Transport)			983,253	334,020	2,900,162	4,217,635	4,217,635	0	463,868	4,217,635	
Overall Total			2,364,640	500,881	5,798,675	8,613,896	8,613,896	0	1,989,019	3,942,567	8,613,896



Grant Awarding Body	Name of the Grant	Project to be funded by the Grant	Conditions and Obligations	Value £000
South Yorkshire Passenger Transport Executive (SYLTE)	Sustainable Transport Exemplar Funding (STEP)	Highways Cycling Schemes	<p>STEP funding forms part of the local devolved transport funding held by Sheffield City Region Combined Authority (SCR CA).</p> <p>This funding is to be administered by SYLTE in the same manner as Local Transport Plan Funding.</p> <p>There will be no specific funding agreement between SCC and SYLTE governing the funding.</p> <p>SYLTE have confirmed the STEP funding allocation to SCC.</p> <p><b>Main Conditions</b></p> <p>The only condition attached to the funding is that it is spent on capital expenditure.</p> <p>This funding will be claimed in arrears from SYLTE based on actual expenditure of approved projects.</p> <p><b>Clawback risks</b></p> <p>Claw back would only be enforceable should the funding be spent on non-capital expenditure</p>	1,030





# Annual Treasury Management Review 2014/15

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## Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the full Council received the Annual Treasury Strategy whilst Cabinet were presented with the Outturn Report. Reports were also taken to the Cabinet Member for Finance during the year.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

Member training on treasury management issues was provided during the year in order to support members' scrutiny role. The training took place in January 2015 to coincide with the revision of the Treasury Management Strategy.

## 2. The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand.

During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the European Central Bank (ECB), was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and would possibly even turn negative. In turn, this made it clear that the Monetary Policy Committee (MPC) would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to mid-2016.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and the ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the

ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

The UK Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

### 3. Overall Treasury Position as at 31 March 2014

At the beginning and the end of 2014/15 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

<b>Authority</b>	<b>31 March 2014 Principal</b>	<b>Rate/ Return</b>		<b>31 March 2015 Principal</b>	<b>Rate/ Return</b>
Total debt	<i>£688m</i>	<i>4.7%</i>		<i>£679m</i>	<i>4.6%</i>
CFR	<i>£830m</i>			<i>£855m</i>	
Over / (under) borrowing	<i>(£142m)</i>			<i>(£176m)</i>	
Total investments	<i>£84m</i>	<i>0.6%</i>		<i>£101m</i>	<i>0.62%</i>
Net debt	<i>£604m</i>			<i>£578m</i>	

<b>General Fund</b>	<b>31 March 2014 Principal</b>	<b>Rate/ Return</b>		<b>31 March 2015 Principal</b>	<b>Rate/ Return</b>
Total debt	<i>£390m</i>	<i>4.6%</i>		<i>£385m</i>	<i>4.6%</i>
CFR	<i>£484m</i>			<i>£509m</i>	
Over / (under) borrowing	<i>(£94m)</i>			<i>(£124m)</i>	
Total investments	<i>£84m</i>	<i>0.6%</i>		<i>£101m</i>	<i>0.6%</i>
Net debt	<i>£306m</i>			<i>£283m</i>	

HRA	31 March 2014 Principal	Rate/ Return		31 March 2015 Principal	Rate/ Return
Total debt	£298m	4.7%		£294m	4.6%
CFR	£346m			£346m	
Over / (under) borrowing	(£48m)			(£52m)	
Total investments	£0m	0%		£0m	0%
Net debt	£298m			£294m	

#### 4. The Strategy for 2014/15

The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February.

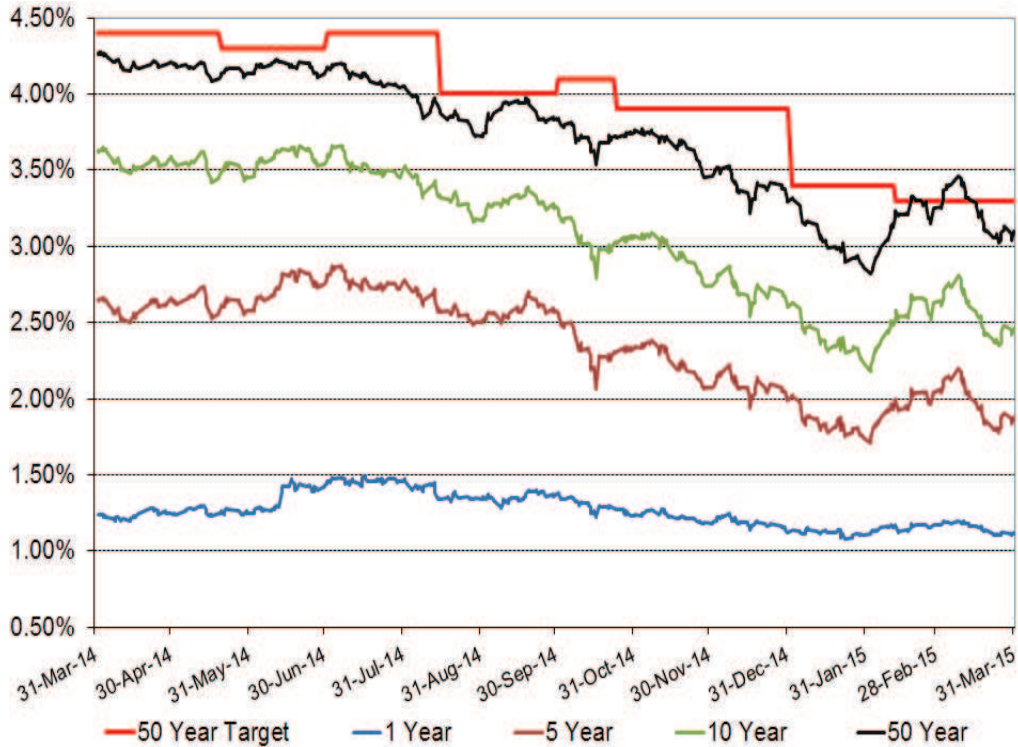
#### 5. The Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The table below shows the outturn for 2013/14 and 2014/15 and the 2014/15 budget position including PFI liabilities.

	31 March 2014 Actual	31 March 2015 Budget	31 March 2015 Actual
CFR General Fund (£m)	£820m	£873m	£872m
CFR HRA (£m)	£346m	£348m	£346m
Total CFR	£1,166m	£1,221m	£1,218m

## 6. Borrowing Rates in 2014/15

**PWLB certainty maturity borrowing rates** - the graphs and table for PWLB rates below and in appendix 3, show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year



## 7. Borrowing Outturn for 2014/15

### **Borrowing**

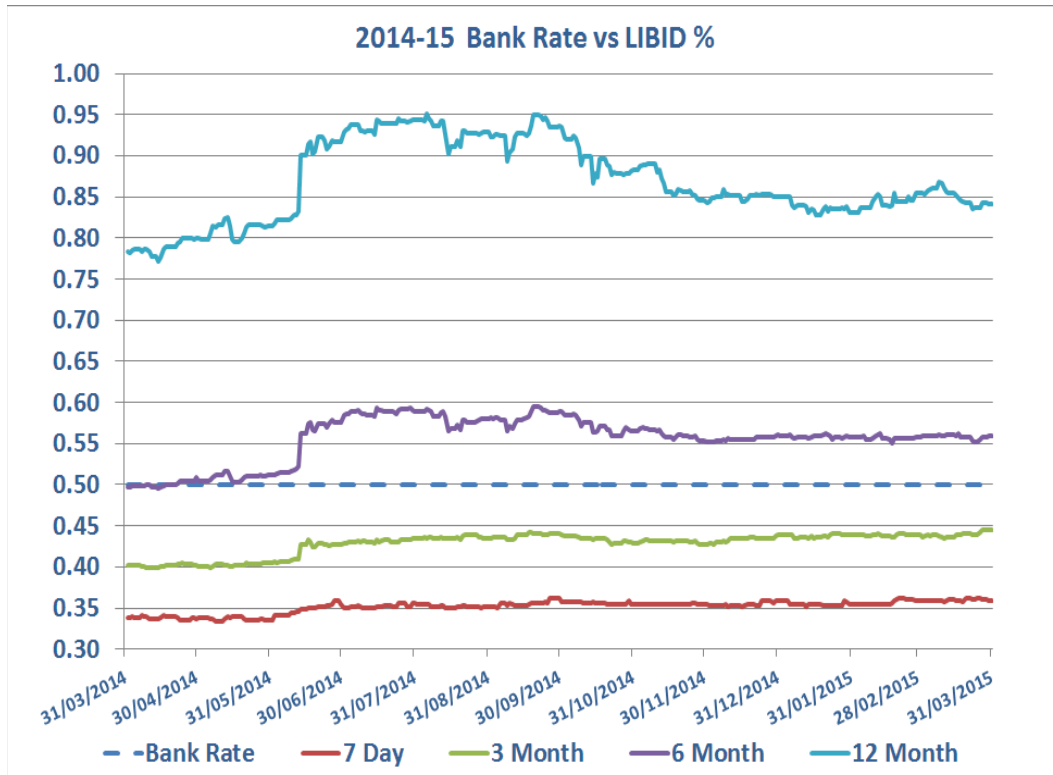
The Council undertook no additional borrowing during the year. Instead the Council used investment balances to temporarily fund borrowing requirements, avoiding the counterparty risks and low investment returns

### **Rescheduling**

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## 8. Investment Rates in 2014/15

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.



*LIBID is the London Interbank Bid Rate which reflects the average interest rate which major London banks borrow Eurocurrency deposits from other banks and is a key indicator of interest rates on short term deposits.*

## 9. Investment Outturn for 2014/15

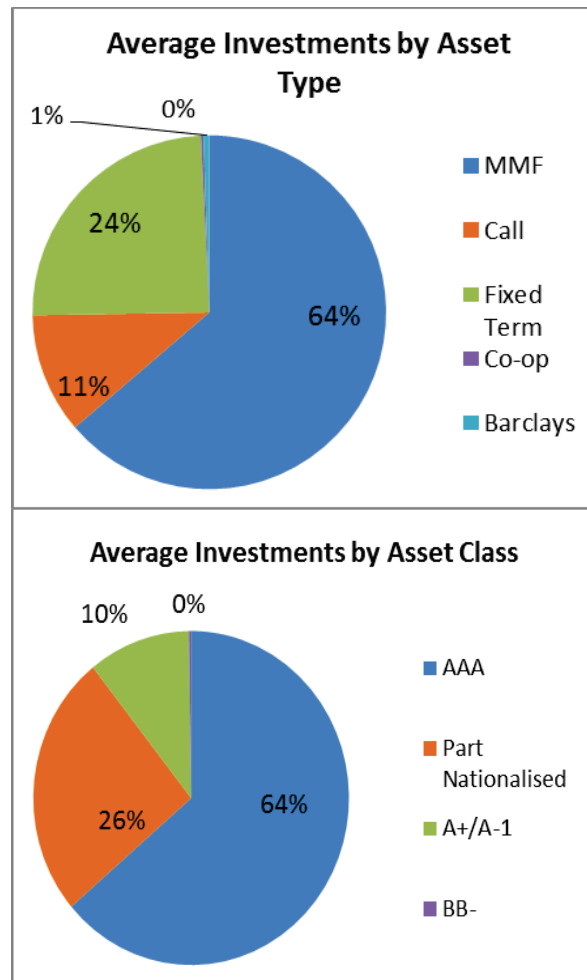
**Investment Policy** – the Council’s investment policy, which is governed by Central Government guidance, is set out in the annual investment strategy approved by full Council in March each year. This policy outlines the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Investments held by the Council** - the Council maintained an average balance of £163m of internally managed funds. The internally managed funds earned an average rate of return of 0.56% against a budgeted return of 0.50%.

The Council would not normally plan to have such high cash balances but the position continues to be affected by re-profiling of the capital programme.

The pie charts below shows that we split our investments over a range of investment options, including AAA rated Money Market Funds and Fixed Term or Call accounts deposits with part nationalised banks.



Throughout the year we only invested funds with assets of over £1bn and monitored who these funds invested with themselves. Money market funds are an attractive counterparty to mitigate counterparty risk because they only invest in the most secure assets whilst they allow us to remove our investment day-by-day should we need to.

## Appendix 1: Prudential and Treasury Indicators

During 2014/15, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2013/14 Actual £000	2014/15 Original £000	2014/15 Actual £000
Capital expenditure			
• General Fund	82,283	79,082	158,460
• HRA	40,506	55,119	26,369
• Total	122,789	134,201	184,829
Capital Financing Requirement:			
• General Fund	819,593	872,407	872,086
• HRA	346,209	348,348	346,308
• Total	1,165,802	1,220,796	1,218,394
Gross borrowing	1,023,604	1,122,496	1,042,125
Net External debt	939,176	1,122,496	940,995
Investments			
• Longer than 1 year	Nil	Nil	Nil
• Under 1 year	84,428	Nil	101,130
• Total	84,428	Nil	101,130

### Commentary

The Council's external debt has increased by around £21.2m during the year, whilst our overall need for borrowing which is represented by the Capital Financing Requirement has increased by £52.6m.

This is a result of a decision taken by the Council in prior years to use surplus cash reserves and grants in advance of need. Using this cash has meant that the Council could avoid taking on new loans, and thus adding to its external debt, where it would have otherwise needed to. In turn, this has saved the Council paying interest costs.

This strategy is intended to be used in the shorter term as the cash will be needed for its original intended purpose. When this arises, the Council would be required to raise cash from loans or its revenue resources. Should loans need to be raised, it is key to do so when the cost of borrowing is as cheap as possible and before any interest rate rises.

However, following the above strategy combined with an under spend on the capital programme meant that the Council continued to hold large sums of cash on deposit throughout the year. These deposits were placed with an array of AAA-rated, instant access money market funds and fixed-term and call account deposits with part-nationalised banks. This investment policy meant that our deposits were very safe but deposit returns were low (marginally above the Bank Base Rate of 0.50%).

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2013/14) plus the estimates of any additional



capital financing requirement for the current (2014/15) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs.

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2014/15
Authorised limit	£1,347m
Maximum gross borrowing position	£1,042m
Operational boundary	£1,230m
Average gross borrowing position	£1,033m

Ratio of financing costs to net revenue stream	31 March 2014 actual	2014/15 original limits	31 March 2015 actual
General Fund	13.68%	14%	15.05%
HRA	9.63%	10%	9.74%

Incremental impact of capital investment decisions	31 March 2014 Actual	2014/15 original limits	31 March 2015 actual
Increase in council tax (band D) per annum *	£10.22	£26.74	£12.51
Increase in average housing rent per week (council dwellings only)	£0.01	£0.05	£0.00

\* The increase in Council Tax (band D) per annum for 2014/15 is lower than the 2014/15 limit because the expected borrowing was noticeably lower than forecast.

TABLE 1	31 March 2014 Principal	Rate/Return	Average Life (Yrs)	31 March 2015 Principal	Rate/Return	Average Life (Yrs)
<b>Fixed rate funding:</b>						
PWLB	£350m	5%	23	£341m	4.67%	21
Market	£140m	5%	48	£140m	4.03%	47
Local Authorities	£20m	2%	1	£20m	2.43%	2
<b>Variable rate funding:</b>						
PWLB	£0m	0%	-	£0m	0%	-
Market	£178m	5%	51	£178m	5.07%	50
<b>Credit Liabilities:</b>						
PFI Liabilities	£336m	9%		£363m	10.41%	
<b>Total debt</b>	<b>£1,024m</b>	<b>6%</b>	<b>30</b>	<b>£1,042m</b>	<b>6.61%</b>	<b>29</b>
<b>CFR</b>	<b>£1,166m</b>			<b>£1,218m</b>		
Over/ (under) borrowing	(£142m)			(£176m)		
<b>Total investments</b>	<b>£84m</b>	<b>0.6%</b>	<b>&lt;1</b>	<b>£101m</b>	<b>0.6%</b>	<b>&lt;1</b>
<b>Net debt</b>	<b>£940m</b>			<b>£941m</b>		

The maturity structure of the debt portfolio was as follows:

	31 March 2014 Actual	2014/15 Original Limits	31 March 2015 Actual
Under 12 months	30%	35%	27%
12 months and within 24 months	1%	15%	3%
24 months and within 5 years	1%	30%	2%
5 years and within 10 years	2%	40%	2%
10 years and above	66%	100%	66%

*Included in the 'Under 12 month' figure are bank loans which have a "call option" that allows the bank to either re-set the interest rate or allow us to repay the loan every six months. As these loans could be repayable in six months' time, we show them as being due under a year.*

The maturity structure of the investment portfolio was as follows:

Investments	2013/14 Actual £000	2013/14 Original £000	2013/14 Actual £000
Longer than 1 year	0	0	0
Under 1 year	84,428	0	101,130
Total	84,428	0	101,130

The exposure to fixed and variable rates was as follows:

	<b>31 March 2013 Actual</b>	<b>2014/15 Original Limits</b>	<b>31 March 2014 Actual</b>
Fixed rate debt	£845m		£864m
Fixed rate investments	-£60m		-£45m
<b>Net fixed rate exposure</b>	<b>£785m</b>	<b>£940m</b>	<b>£819m</b>
Variable rate debt	£178m		£178m
Variable rate investments	-£14m		-£56m
<b>Net variable rate exposure</b>	<b>£164m</b>	<b>£350m</b>	<b>£122m</b>

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