SHEFFIELD CITY COUNCIL
Cabinet Report

Report of: Eugene Walker

Date: 19 June 2013

Subject: Revenue & Capital Year End Financial Position 2012/13

Author of Report: Allan Rainford; 35108

Summary: This report provides the full year outturn statement on the City Council's Revenue and Capital Budget for 2012/13.

Reasons for Recommendations To formally record 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.

Recommendations:

Please refer to paragraph 115 of the main report for the recommendations.

Category of Report: OPEN/~~CLOSED~~

Statutory and Council Policy Checklist

Financial implications
YES/~~NO~~ Cleared by: Eugene Walker
Legal implications
~~YES~~/NO Cleared by:
Equality of Opportunity implications
~~YES~~/NO Cleared by:
Tackling Health Inequalities implications
~~YES~~/NO
Human rights implications
~~YES~~/NO :
Environmental and Sustainability implications
~~YES~~/NO
Economic impact
~~YES~~/NO
Community safety implications
~~YES~~/NO
Human resources implications
~~YES~~/NO
Property implications
~~YES~~/NO
Area(s) affected
Relevant Scrutiny Board if decision called in
Overview and Scrutiny Management Committee
Is the item a matter which is reserved for approval by the City Council? NO
Press release
~~YES~~/NO

THE COUNCIL'S OUTTURN POSITION FOR 2012/13

PURPOSE OF THE REPORT

1. This report provides the final year-end position on the City Council's Revenue Budget and Capital Programme for 2012/13, subject to review by the external auditors. The first section covers Revenue Budget Outturn and the Capital Programme is reported from paragraph 89.

REVENUE BUDGET OUTTURN

SUMMARY

2. The outturn position on the revenue account is summarised in the table below:

Portfolio	Outturn £000s	Budget £000s	Variance £000s	Movement from Month 11
CYPF	81,019	81,273	(254)	⇧
PLACE	165,927	166,800	(873)	⇩
COMMUNITIES	173,552	170,743	2,809	⇧
DEPUTY CHIEF EXECUTIVE	11,625	11,816	(191)	⇩
RESOURCES	60,456	60,821	(365)	⇔
CORPORATE	(493,038)	(491,453)	(1,585)	⇩
GRAND TOTAL	**(460)**	**(0)**	**(460)**	⇩
Carry forwards			**460**	
ADJUSTED GRAND TOTAL				

(0)

3. As part of the analysis of the outturn position, Portfolios have identified a requirement to carry resources forward to 2013/14. Some of these resources relate to grants that will be required in the next financial year.

4. The outturn position shows a contribution to balances of £460k by the year end. Based on a net revenue budget of £463m for 2012/13, this is equivalent to a variance of approximately 0.1% and therefore represents a broadly balanced position. Although there have been issues in Portfolio's that have resulted in spending varying from budget, the position on corporate budgets has enabled the Council to achieve this favourable year end position.

5. The reasons for the £1.4m improvement from month 11 are:

   - Children Young People and Families are reporting an adverse movement of £364k since month 11 due to a review of year end liabilities and subsequent accruals to cover contractual commitments within Lifelong Learning, Skills and Communities for training.
   - Place are reporting an improvement of £135k since month 11. There are no significant movements to report with the overall improvement being attributable to small savings across a number of services.
   - Communities are reporting an adverse movement of £142k since month 11, due predominantly to increased costs relating to Adults Social Care and the Learning Disability Service of £512k. This adverse movement is partly offset by a reduction in spending within Community Assemblies of £154k and £168k from small savings across the Business Strategy service.
   - Deputy Chief Executive are reporting an improvement of £224k since month 11. As with the Place portfolio, there are no significant movements to report with the overall improvement being attributable to small savings across a number of services.
   - Corporate are reporting an improvement of £1.5m since month 11 due to reduced cost of borrowing and increased investment income within the Capital Finance budget of £1.1m and savings relating to the expected costs for Digital Region and Carbon Reduction Credits of £629k and £312k respectively. The improvement on Digital Region only emerged at year-end because the decision on the company was finalised later than planned in the year.

INDIVIDUAL PORTFOLIO POSITIONS

CHILDREN YOUNG PEOPLE AND FAMILIES (CYPF)

Summary

6. As at month 12 the Portfolio is reporting a full year outturn of a reduction in spending of £254k, an adverse movement of £364k from the month 11 position. The key reasons for the outturn position are:

   - **Children and Families:** £288k reduction in spending, due to savings within Early Years, Placements, Prevention and Early Intervention, Fostering Services, Placement Strategy Budgets and Youth Justice Service.

- **Business Strategy:** £206k overspend, mainly due to an overspend of 3 and 4 year Free Early Learning (FEL) of £472k, which has been partially offset by a reduction in spending of £349k on 2 year FEL.

Financials (Non – DSG activity)

Service	Outturn £000s	Budget £000s	Variance £000s	Movement from Month 11
BUSINESS STRATEGY	15,117	14,911	206	⇔
CHILDREN & FAMILIES	53,240	53,528	(288)	⇔
INCLUSION & LEARNING SERVICES	5,289	5,396	(106)	⇔
LIFELONG LEARN, SKILL & COMMUN	7,372	7,438	(66)	⇧
GRAND TOTAL	**81,019**	**81,273**	**(254)**	⇧

Commentary

<u>DSG and Non DSG Budgets</u>

7. The following commentary concentrates on the changes from the previous month.

Non DSG Budgets

8. The actual £254k reduction in spending on Non DSG budgets is an adverse movement of £364k from the month 11 position.

9. This change is due mainly to a review of liabilities at the year-end. This review identified contractual commitments within Lifelong Learning, Skills and Communities for training contracts that the Council is contractually obliged to deliver and therefore a liability has been taken to recognise the expenditure in this financial year.

DSG Budgets

10. The following is a summary of the outturn position on DSG budgets which have underspent by £2.9m in total and are reflected in the DSG reserves movements detailed below:

	Month 11 £000	Month 12 £000
Business Strategy	(647)	(2,336)
Children and Families	(347)	(329)
Inclusion and Learning Services	(58)	(174)
Lifelong Learning, Skills and Communities	(60)	(96)
	(1,112)	**(2,935)**

11. The key reasons for the movement from the month 11 position are:

- **Business Strategy:** an improved movement of £1.7m, this is due to an improvement of £1.7m on the Individual Schools Budgets. This is due to additional drawdown of DSG grant income in month 12 which was not known at month 11.
- **Inclusion and Learning Services:** an improved movement of £116k, this is due to small improvements in the actual outturn position across the service, compared to the forecast month 11.

Use of Reserves

CYPF non-DSG Reserves

12. CYPF has in place non-DSG reserves which have been built up as a result of planned reduction in spending. The balance on non DSG reserves at 1 April 2012 was £371k.

13. There have been no withdrawals from reserves during this financial year. Of the £371k, £333k is related to Aldine House and it has previously been agreed to retain this to support the service from fluctuations in demands.

14. During the year, a number of carry forward requests have been approved in principle and added to the reserve balance, these are:

- Successful Families - £1.8m.
- Apprenticeships - £630k.
- City Skills Fund - £350k.

15. The balance on non DSG reserves at 31 March 2013 was £3.1m.

DSG Reserves

16. The central DSG reserve at 1 April 2012 was £6.2m. During 2012/13 £5.8m of these reserves were drawn down. The central DSG budget has under spent to the value of £2.9m as reported in the table above; the cumulative balance at 31 March 2013 is therefore £3.3m. All the balance is earmarked for specific projects in future years.

17. Reserves of £19m were held by individual schools as at 1 April 2012. Schools have withdrawn £1m from the reserve in 2012/13 as a result of their outturn positions. As a result of Academy conversions £4.9m of the school balances have been paid to the Academies during the year. Reserves held by Schools at 31 March 2013 were £13.1m.

PLACE

Summary

18. As at month 12 the Portfolio is reporting a full year outturn of a reduction in spending of £873k, an improvement of £135k from the month 11 position. The key reasons for the outturn position are:

- **Development Services:** £935k reduction in spend due to staff vacancy savings across the whole service area (£1.2m), slippage of Local Growth Fund project spend (£215k) and the re-prioritisation of staff on to Local Growth Funded projects (£211k), offset to some extent by reductions in income within car parking and planning (£900k).
- **HERS:** £274k reduction in spend largely due to planned slippage of Local Growth Fund project spend into the following financial year.
- **Street Force:** £183k overspend due to costs of backdated pay and grading appeals and increased bad debt provisions relating to historic debts which are now being closed following the implementation of the Highways PFI.
- **Marketing Sheffield:** £129k overspend due budget due to reductions in forecast grant/fee income from major events.

Financials

Service	Outturn £000s	Budget £000s	Variance £000s	Movement from Month 11
BUSINESS STRATEGY & REGULATION	32,116	32,111	5	⇔
CREATIVE SHEFFIELD	5,899	5,979	(80)	⇔
CULTURE & ENVIRONMENT	41,259	41,192	67	⇔
DEVELOPMENT SERVICES	84,355	85,290	(935)	⇔
HERS	1,622	1,896	(274)	⇔
MARKETING SHEFFIELD	1,166	1,037	129	⇔
STREET FORCE	(872)	(1,055)	183	⇔
SUSTAINABLE DEVELOPMENT	383	350	33	⇔
GRAND TOTAL	**165,927**	**166,800**	**(873)**	⇩

Commentary

19. There are no significant movements to report with the overall improvement being attributable to small savings across a number of services. However there are a few key issues affecting the following service areas.

Development Services

20. A key risk for the service has been in securing £10m planned external fee income from planning, building regulation and car parking activities, where actual fees generated were around £900k below budget.

21. However, the above pressure has been more than offset this year primarily by reductions in staff costs due to vacancies across the whole service of around £1.2m, together with the re-prioritisation of core staff to Local Growth Funded projects (£211k).

Housing Enterprise and Regeneration

22. The outturn for this activity is £274k reduction in spending, broadly in line with the previous period's forecast.

23. A further key variance is an estimated £300k for potential grant 'claw-back' following a recent European audit on Tudor Square. Work is on-going to ascertain the most realistic level of claw-back and mitigate any further recovery of grants paid.

COMMUNITIES

Summary

24. The Portfolio's outturn position is an over spend of £2.8 million, an adverse movement of £142k from the month 11 position. The key reasons for the outturn position are:

    - **Business Strategy:** a £1.4m reduction in spending against budget, due mainly to contingencies held in Portfolio-Wide Services to offset overspends on care purchasing budgets (especially in Learning Disabilities (LD) services). This is a slight improvement compared to last month's position.

    - **Care and Support:** a £6.4m overspend, due to LD purchasing (£2.9m), LD Transport contract (£177k), Provider Services (£276k), Adult Social Care purchasing (£4.9m), with some reductions in Assessment & Care Management and LD staffing costs against budget. These overspends are offset, to some degree, by reduction in spend against budget in Housing-Related Services of £274k. This position represents an adverse movement of £512k from the previous month.

      Commissioning: a reduction in spending against budget of £1.9m due to: Mental Health Commissioning - £1.0m overspend on care purchasing; Social Care Commissioning – £2.6m reduction in spend against budget as a result of the release of funds unspent in previous years into 2012/13 revenue budgets and reduction in spend on LD ex-Health care and accommodation provision. Housing Commissioning - £382k net reduction in spending against budget across several areas, reported in detail in PLT/SMT reports. This position is an improvement of £68k compared to last month.

Community Services: a reduction in spend against budget of £173k, a slight improvement compared to last month's position.

Financials

Service	Outturn £000s	Budget £000s	Variance £000s	Movement from Month 11
BUSINESS STRATEGY	14,900	16,333	(1,434)	⇩
CARE AND SUPPORT	109,450	103,089	6,361	⇧
COMMISSIONING	38,336	40,281	(1,946)	⇔
COMMUNITY SERVICES	10,866	11,039	(173)	⇩
GRAND TOTAL	**173,552**	**170,743**	**2,809**	⇧

Commentary

25. The following commentary concentrates on the changes from the previous month.

Business Strategy

26. £1.4m reduction in spending against budget, mainly due to contingencies held to offset the adult social care purchasing position. This is a slight improvement compared to last month's position made up of various, small movements in each area.

Care and Support

27. The outturn for this service is a £6.4m overspend against budget. This is an adverse movement of £512k from the previous month and is mainly due to:

- **Assessment & Care Management:** adverse movement of £825k in Adult Social Care purchasing, due, mainly to the full, net, effect of year end assets and liabilities recognised between SCC and SPCT (Health) for Adult Social Care purchasing.
- **Joint Learning Disabilities Service:** adverse movement of £262k due, mainly to the assets & liabilities referred to above.
- **Housing Related Services:** an improvement of £149k due to further grant income.
- **Contributions to Care:** an improvement of £361k due to assets recognised between SCC and SPCT (Health) and a review of property-related debt assets.

- The remaining variance is due to the cumulative effect of reduced spend against salary budgets across Care & Support services**.**

Community Services

28. The outturn for this service is a £173k reduction in spend against budget. This is an improvement of £134k from the previous month due to reductions in spend by Community Assemblies of £154k and a small underspend in central costs.

RESOURCES

Summary

29. The Portfolio is reporting a full year outturn of a reduction in spending of £365k, an improvement of £59k from the month 11 position. The key reasons for the outturn position are:

- £394k under spend in central costs /Housing Benefit and Council Tax;
- £157k additional income in Commercial Services (Savings) due to achieving increased savings (net of E Business project costs);
- £202k under spend in Transport due to reduced expenditure in the workshops following the transfer to AMEY.

Offset by:

- £240k overspend in BIS, in part due to anticipated delay in Achieving Change process required to make staff savings;
- £258k over spend in Customer Services due to transfer of staff costs from Customer First Programme**.**

Financials

Service	Outturn £000s	Budget £000s	Variance £000s	Movement from Month 11
BUSINESS INFORMATION SOLUTIONS	282	42	240	⇔
COMMERCIAL SERVICES	1,905	1,899	6	⇔
COMMERCIAL SERVICES (SAVINGS)	(977)	(820)	(157)	⇧
CUSTOMER FIRST	3,564	3,565	(1)	⇔
CUSTOMER SERVICES	3,185	2,927	258	⇔
FINANCE	1,780	1,870	(90)	⇔
HUMAN RESOURCES	432	479	(47)	⇔
LEGAL SERVICES	2,317	2,276	41	⇩
PROGRAMMES AND PROJECTS	1,622	1,688	(66)	⇔
PROPERTY AND FACILITIES MGT	30,319	30,272	47	⇩
TRANSPORT	22	224	(202)	⇔
TOTAL	44,451	44,422	29	⇔
CENTRAL COSTS	17,183	15,647	1,536	⇔
HOUSING & COUNCIL TAX BENEFIT	(1,178)	752	(1,930)	⇔
GRAND TOTAL	**60,456**	**60,821**	**(365)**	⇔

Commentary

30. The following commentary concentrates on the changes from the previous month.

Commercial Services (Savings)

31. The outturn for this service is a £157k reduction in spending. This is an adverse movement of £335k from the previous month. The adverse movement this month is due to £318k being utilised to part fund the implementation costs of the E- Business project. The service has achieved gross cashable procurement savings of £1.7m, £476k in excess of target.

Legal Services

32. The outturn for this service is a £41k overspend. This is an improvement of £170k from the previous month and is due to additional recharge income in month 12.

Property and Facilities Management

33. The outturn for this service is a £47k overspend. This is an improvement of £209k from the previous month and is due to additional recharges of Kier and legal fees to portfolios of £472k. This improvement is partly offset by additional spending on minor works and unanticipated PFI costs £256k.

Central Costs

34. The overall position has improved by £83k. Central costs (excluding Capita) have reported an outturn of £2.4m underspent, the result of exceeding targets on the reduction of benefits subsidy transfer payments paid to claimants. The Capita contract costs have improved by £155k since Month 11, notably on Capita – Finance, but are £2m over spent for the year.

Central Costs	Variance Outturn £ 000	Forecast Variance Month 11 £ 000
Capita – Control Account	602	692
Capita – ICT BIS	834	767
Capita – Finance	353	561
Capita - HR	243	167
Sub total Capita	**2032**	**2187**
Benefits subsidy	(1930)	(1885)
Other Central Costs	(496)	(613)
Total	**(394)**	**(311)**

DEPUTY CHIEF EXECUTIVE'S

Summary

35. The Portfolio is reporting a full year outturn of a reduction in spending of £191k, an improvement of £224k from the month 11 position. The key reasons for the outturn position are:

- Increased costs of elections and registration of £221k.

Off set by:

- delay in spending the DEFRA grant for reservoir flood planning of £53k.
- £161k under spend in Business Development due to salary sacrifice and vacant posts.
- £57k reduction in spending in Performance and Corporate Planning due to vacancy management and increased income.
- £66k reduction in spending in Policy Partnership and Research due to £30k Fairness Commission funding and vacancy management.
- £39k reduction in spending in Sheffield First.

Financials

Service	Outturn £000s	Budget £000s	Variance £000s	Movement from Month 11
ACCOUNTABLE BODY ORGANISATIONS	(39)	(0)	(39)	⇔
BUSINESS DEVELOPMENT	2,575	2,736	(161)	⇔
E-CAMPUS	814	814	(0)	⇔
HEALTH IMPROVEMENT	124	125	(1)	⇔
MODERN GOVERNANCE	3,899	3,767	132	⇔
PERFORMANCE AND CORP PLANNING	730	787	(57)	⇔
POLICY,PARTNERSHIP,AND RESEARCH	3,521	3,587	(66)	⇔
GRAND TOTAL	**11,625**	**11,816**	**(191)**	⇩

Commentary

36. There are no significant movements to report with the overall improvement being attributable to small savings across a number of services.

CORPORATE ITEMS

Summary

37. The outturn position for Corporate budgets is a £1.6m reduction in spending which is an improvement of £1.5m since month 11. The table below shows the items which are classified as Corporate and which include:

- **Corporate Budget Items:** corporate wide budgets that are not allocated to individual services / portfolios, including capital financing costs and the provision for redundancy / severance costs.
- **Corporate Savings:** the budgeted saving on review of management costs and budgeted saving from improved sundry debt collection.
- **Corporate income:** Formula Grant and Council tax income, some specific grant income and contributions from reserves.

Financials

	FY Outturn £'000	FY Budget £'000	FY Variance £'000
Corporate Budget Items	32,465	35,149	-2,684
Savings Proposals	-387	-1,494	1,107
Income from Council Tax, RSG, NNDR, other grants and reserves	-525,116	-525,108	-8
Total Corporate Budgets	**-493,038**	**-491,453**	**-1,585**

Commentary

38. The following commentary concentrates on the changes from the previous month.

Corporate Budget Items

39. Corporate Budget items are reporting an outturn reduction in spending of £2.7m, which is an improvement of £2.1m from the month 11 forecast.

40. The temporary reduced cost of borrowing and increased investment income within the capital financing budget accounts for £630k of the reduction in spending and is an improvement of £130k from month 11. Another improvement in this area included additional income of £253k generated from lending to the Housing Revenue Account from General Fund.

41. Approval was sought through the revenue budget process to change the way the Council puts money aside each year to repay debt, reflecting that there is often a time lag between capitalisation directives being recognised in the accounts and debt actually being incurred by way of payments out of the bank account. Approval for this new policy has allowed the Council to delay the start of debt repayment provisions being made for the Digital Region capitalisation until we begin to pay out cash, along with deferment of some charges on the Equal Pay capitalisation that has not yet been fully drawn down on. This policy change has reduced the charge for debt provisions by £735k.

42. There was a £3.8m budget for the potential impact of Digital Region in the 2012/13 budget. Part of this budget was required to cover the interest and debt costs of the capitalised £12m dealt with in the 2011/12 accounts. Additional revenue grants of £2.6m to support the continuation of Digital Region have also been made. The total expenditure has resulted in a £629k reduction in spending against the original budget.

43. A reduction in spending against Carbon Reduction Credits of £312k is being reported in outturn. This improvement was not previously reported due to uncertainty surrounding the charge per credit, items included or not in the scheme (Street lighting) and the level of CYP contribution to costs.

Savings Proposals

44. The outturn position on Savings Proposals of a £1.1m overspend is an adverse movement of £536k from the month 11 forecast.

45. Sundry debt collection rates and the subsequent reduction of the savings proposal, accounts for £563k of the overspend. This is consistent with the month 11 forecast.

NON-EARMARKED AND EARMARKED REVENUE RESERVES - APPENDIX 1

47. Within the existing statutory and regulatory framework, it is the responsibility of the Executive Director of Resources to ensure that the City Council has an adequate level of reserves and that there are clear protocols for their establishment and use.

48. Work on the reserves balances as at 31 March 2013 is still being undertaken and is dependent on the completion of the statement of accounts. However, the estimated balance of revenue reserves as at 31 March 2013 is £62.8m. This is shown in Appendix 1. Included in the total is a figure of £11.2m of un-earmarked reserves, this is considered to be a prudent amount based on the requirements of the Council.

49. The estimated balance of revenue reserves as at 31 March 2013 is £9.1m higher than the figure of £53.7m stated in the 2013/14 revenue budget report. This is because spending has been deferred and will now occur from those balances during the course of 2013/14. One such example is the Major Sporting Facilities (MSF) reserve which is referred to in a separate report on the agenda.

50. The Major Sporting Facilities (MSF) and PFI reserves exist because of the need to smooth the significant payments made on the MSF and PFI schemes over the 20 year plus terms of the underlying agreements. In both cases the costs being incurred at the moment are lower than the resources available hence we have a temporary surplus. However, over time, this position changes and future payments are higher than our resources and the reserves will be needed to support their primary purpose (around 2015 to 2016).

51. The Council has made significant use of the money from these reserves to fund things on a temporary basis and it is part of the financial plan to have the reserves refunded by the time the call on them is required. The main temporary use has been to support investment in key change projects through Invest to Save and priorities like Highway PFI.

52. Earmarked reserves are set aside to meet known or predicted liabilities, such as equal pay liabilities, but ones that are not certain enough to create an exact provision in the accounts. The liabilities are, however, likely enough to say that the earmarked reserves are not normally available to fund the budget or other measures.

INSURANCE FUND

53. An independent review of the Insurance Account has been undertaken to identify the level of fund required. This includes:

- Known outstanding liabilities.
- Incurred but not reported liabilities (IBNR), residual IBNR and incurred but not enough reserved (IBNER).
- Claims previously paid by Municipal Mutual Insurance (one of the Council's Insurers who went in to a form of receivership in the 1990's) in case MMI does not achieve a solvent run off and payments are clawed back from the Council.
- Emerging claims.
- Uninsured asbestos related claims.

54. Since the actuarial review the Directors of MMI 'triggered' the scheme of arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). Ernst & Young are now responsible for the management of the MMI's business, affairs and assets in accordance with the terms of the Scheme.

55. The Scheme provides that following the occurrence of a Trigger Event, a levy may be imposed on all those scheme creditors which, since the record date, have paid an amount or amounts in respect of established scheme liabilities which, together with the amount of elective defence costs paid by MMI on its behalf, exceeding £50k in aggregate. Additionally, payments made after the imposition of a Levy in respect of established scheme creditors will be made at a reduced rate (the payment percentage).

56. Ernst & Young have carried out a review of assets and liabilities of MMI and concluded that the initial rate of the levy will be 15%, which will be raised in the near future. The levy will be reviewed at least once every 12 months.

57. The Council has a potential claw back of £4.5m with MMI and £640k relating to South Yorkshire Residuary Body (SYRB).

58. The Insurance Account as at 31 March 2013 has £18.5m. Outstanding liabilities as at 31 March 2013 are £22.8m, taking into account repudiation it would be prudent to set aside £18m.

59. The Insurance Account is therefore 103% funded as at 31 March 2013. A review will be undertaken in 2013/14 to ascertain the financial impact on outstanding claims with MMI as following setting the levy Ernst &Young are required by the scheme to instigate payment of all claims at a payment percentage, being 100% less the Levy. Consequently the initial payment will be 85%.

COLLECTION FUND – APPENDIX 2

60. The Council has to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates. As at 31 March 2013, the Council's Collection Fund showed a final surplus of £2.4m (of which the Council's element is around £2m). No surplus or deficit balance was taken into account in setting both the Council Tax and Revenue Budget for 2013/14. However, the surplus will be carried forward into 2013/14 and will potentially be available to use as part of the 2014/15 budget.

HOUSING REVENUE ACCOUNT (HRA) - APPENDIX 3

61. The HRA outturn position is an in year surplus of £8.7m (excluding Community Heating) compared to a budgeted deficit of £1.3m. This is an improvement of £10m on the budgeted position.

62. The main reason for the variation in the overall budget position relates to a reduction in the capital financing costs. The overall reduction is £6.4m. This is primarily as a result of access to more attractive interest rates.

63. Although some of this overall saving on interest rates is sustainable, some is a one off. Now that that HRA is self-financing, the Council has to consider the longer term risks on interest rates and ensure that its 30 year business plan includes a sustainable level of debt, factoring in the cost of the additional capital investment required to fund the backlog maintenance. This has been considered as part of the 2013/14 refresh of the HRA business plan and an improved 2012/13 position has been included and factored in that plan.

64. Other main areas that contribute to the improved year end position include revised rental income £100k; a reduction in the level of vacant properties £500k and related council tax savings of £300k; revised service charge income £400k; a reduction on repair costs £600k; a decrease in the running costs £1m; a delay in a number of projects £700k.

65. **Community Heating:** The outturn position is a draw down from Community Heating reserves of £600k compared to a budgeted draw down from reserves of £1m. This is primarily due to a reduction in energy costs and invoiced consumption.

CORPORATE FINANCIAL RISK REGISTER

66. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. The most significant risks are summarised in this report for information together with a summary of the actions being undertaken to manage each of the risks.

Digital Region

67. The Council faces risks on its direct investment, as well as on guarantee clauses to key contractors. Provision has been made in the 2011/12 accounts for the potential capitalised costs of the losses on current operations and the procurement, but the final costs will only be clarified as the procurement is finalised from April 2013.

Capital Receipts & Capital Programme

68. Failure to meet significant year on year capital receipts targets due to depressed market and reduced Right-to-Buys, resulting in potential over-programming / delay / cancellation of capital schemes.

69. Building Schools for the Future Programme Affordability – Latest projections indicate that the affordability gap in the capital programme for the secondary schools estate, which must be underwritten by the Council, is in the order of £9m to £12m. This requirement has been identified in the Council's Capital Programme.

Pension Fund

70. Bodies whose Pension liability is backed by the Council are likely to find the cost of the scheme a significant burden in the current economic context. If they become insolvent the resulting liability may involve significant cost to the Council.

Electric Works

71. The running costs of the business centre are not covered by rental and other income streams. The approved business plan set-aside contingency monies to cover potential deficits in its early years of operation. However, there remains a risk that the occupancy of units within Electric Works might be slower (lower) than that assumed within the business case, such that the call on the contingency is greater (earlier) than planned.

72. A refresh of the financial model was undertaken for 2011/12 budgeting purposes and again for 2012/13. The assumed level of occupancy for 2011/12 was 68% and the actual achieved was 64%. Most of the income shortfall was made up from conference lettings and virtual services. A target of 78% has been set for 2012/13. At December, the target was 79% but the actual is only 63%, mainly as the result of the termination of a tenant's licence due to trading conditions. A report on the future of Electric Works will be brought to Members in 2013.

Contract Spend

73. The high and increasing proportion of Council budgets that are committed to major contracts impairs the Council's flexibility to reduce costs or reshape services. This is exacerbated by the fact that in general these contracts carry year-on-year inflation clauses based on RPIx which will not be available to the Council's main funding streams, e.g. Council Tax, RSG and locally retained Business Rates.

Economic Climate

74. There is potential for current adverse economic conditions to result in increased costs (e.g. increased homelessness cases) or reduced revenues.

75. The Council seeks to maintain adequate financial reserves to mitigate the impact of unforeseen circumstances.

NHS Funding Issues

76. There are significant interfaces between NHS and Council services in both adults' and children's social care. The Council has prioritised these services in the budget process, but savings have nevertheless had to be found. Working in partnership with colleagues in the Health Service efforts have been made to mitigate the impact of these savings on both sides. However, on-going work is required now to deliver these savings in a way that both minimises impacts on patients and customers and minimises financial risks to the NHS and the Council.

77. The Council is participating in the Right First Time (RFT) programme with the Clinical Commissioning Group (CCG) and Hospital Trust. This programme aims to shift pressures and resources from the hospital to community settings over the longer term, which should assist the Council in managing adult social care pressures. However, there are short-term pressures from the programme changes that are adding costs to the Council.

Housing Regeneration

78. There is a risk to delivering the full scope of major schemes such as **Parkhill** and **SWaN** because of the severe downturn in the housing market. This could result in schemes 'stalling', leading to increased costs of holding the sites involved, and in the case of SWaN, potential exposure to termination payments. In addition, the ending of the Housing Market Renewal programme has caused funding pressure on the Council's capital programme, e.g. on site clearance work and in enabling further phases of commenced demolition schemes.

Trading Standards

79. There is a low risk that it will not be possible to recover outstanding contributions from the other South Yorkshire Authorities. However, negotiations are in the final stages and there is an expectation that an agreement will be reached.

External Funding

80. The Council makes use of a number of grant regimes, central government and European. Delivering the projects that these grants fund involves an element of risk of grant claw back where agreed outputs are not delivered. Strong project management and financial controls are required.

Academies & Independent Schools

81. During 2012/13 18 (9 primary / 9 secondary) of the Council's maintained schools became independent academies. In 2013/14, a further 25 academy conversions are currently anticipated (20 primary / 5 secondary). To date 4 primary schools have converted in 2013/14.

82. Academies are entitled to receive a proportion of the Council's central education support services budgets. Based on actual and projected academy conversions it is estimated that:

- In 2012/13 £635k of DSG funding was deducted from the Council and given to the Academies. For 2013/14 it is estimated that up to

£1.75million of DSG funding will be given to academies to fund support services.

- In 2013/14 it is estimated that up to £3.25million will be deducted from the Council's DCLG funding, under the new Education Services Grant (ESG), and given to academies.

83. If an academy is a sponsored conversion then the Council will have to bear the cost of any closing deficit balance that remains in the Council's accounts. It is estimated that this may be up to £750k based on current projected academy conversions during 2013/14.

84. Where new independent schools (free schools) or Academies are set up and attract pupils from current maintained PFI schools, then the funding base available to pay for a fixed long term PFI contract would reduce, leaving the Council with a larger affordability gap to fund. There are also further potential risks if a school becoming an academy is a PFI school, as it is still unclear how the assets and liabilities would be transferred to the new academy and whether the Council could be left with residual PFI liabilities.

Treasury Management

85. The on-going sovereign-debt crisis is subjecting the Council to significant counterparty and interest-rate risk. Counterparty risk arises where we have cash exposure to banks and financial institutions who may default on their obligations to repay to us sums invested. There is also a real risk that the Eurozone crisis could impact upon the UK's recovery, which in turn could lead to higher borrowing costs for the nation.

86. The Council is mitigating counterparty risk through a prudent investment strategy, placing the majority of surplus cash in AAA highly liquid and diversified funds. On-going monitoring of borrowing rates and forecasts will be used to manage our interest-rate exposure.

Welfare Reforms

87. The government is making changes to the Welfare system, phased in over the next few years, which will have a profound effect on council taxpayers and council house tenants in particular. The cumulative impact of these changes will be significant. Changes include:

    - Abolition of council tax benefit – due from April 2013 to be replaced by a local scheme. It will be cash limited and subject to a 10% reduction from current levels. The Council approved a replacement scheme, including a hardship fund in January 2013, but there are risks to council tax collection levels and pressures on the hardship fund.

- Housing Benefit changes – there are a number of proposals where the anticipated impacts are that a number of claimants will receive fewer benefits than they do now, thereby impacting on their ability to pay rent.
- Introduction of universal credit – from October 2013 administered by DWP. Along with the impact of reducing amounts to individuals and the financial issues that might cause, the biggest potential impact of this change is the impact on the HRA and the collection of rent. This benefit is currently paid direct to the HRA; in future this will be paid direct to individuals. This will potentially increase the cost of collection and rent arrears. There will also be an impact on the current contract with Capita and internal client teams.

Housing Revenue Account (HRA)

88. There are a number of future risks and uncertainties that could impact on the 30 year HRA business plan. As well as the introduction of Universal Credit, outlined in the risk above, the main identified risks to the HRA are:

    - Interest rates – fluctuations in the future levels of interest rates have always been recognised as a risk to the HRA.
    - Repairs and Maintenance – existing and emerging risks within the revenue repairs budget include unexpected increased demand (for example due to adverse weather conditions).

CAPITAL OUTTURN FOR 2012/13

Summary

89. At the end of March 2013 the 2012/13 Capital Outturn is £115.6m. This means that £48.3m of spending will be carried forward into 2013/14, representing the balance between actual spend and programmed spend at the end of the 2012/13 financial year.

90. The Outturn for the year shows that all portfolios are below budget recording project slippage of £43.3m (subject to investigation) of which £25.8m is in CYPF, £11.3m in Place, £6.0m Resources and £200k in Communities. This is on top of £44.4m slippage already approved earlier in the year bringing to £87.7m the total slippage on a budget of £219m. This is the highest annual level of slippage recorded to date.

91. The Outturn is £10.0m lower than the forecast of £125.6m based on February's position made in March. The greatest shortfalls are in CYPF, (£6.8m) and Resources (£3.1m). Further detail can be found in the specific sections below.

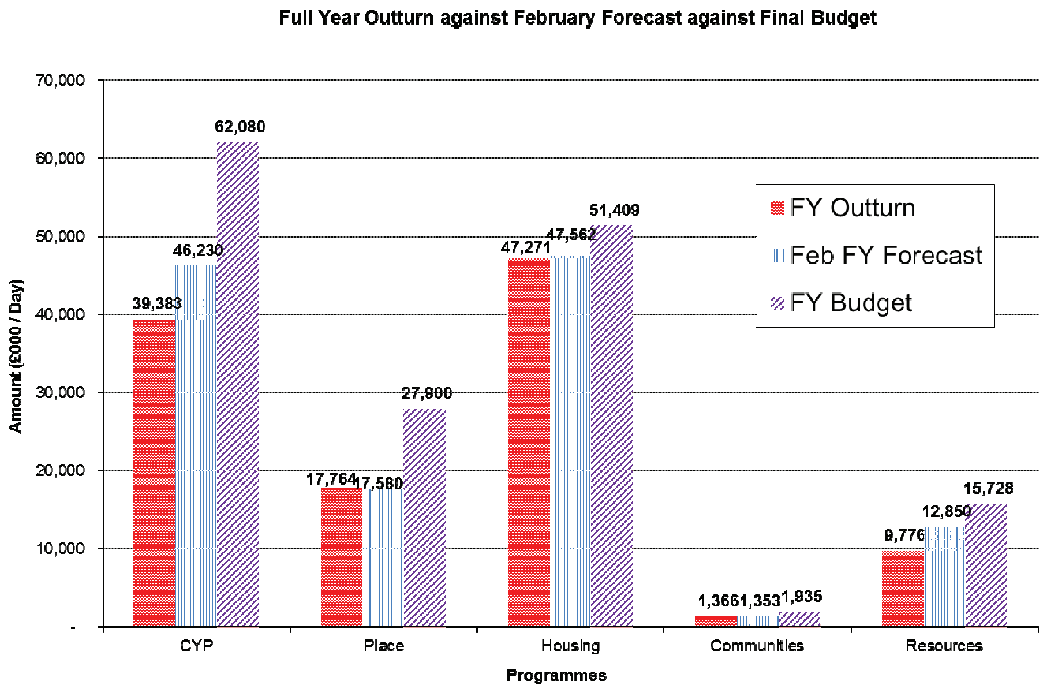
Financials 2012/13

All figures reported in £000

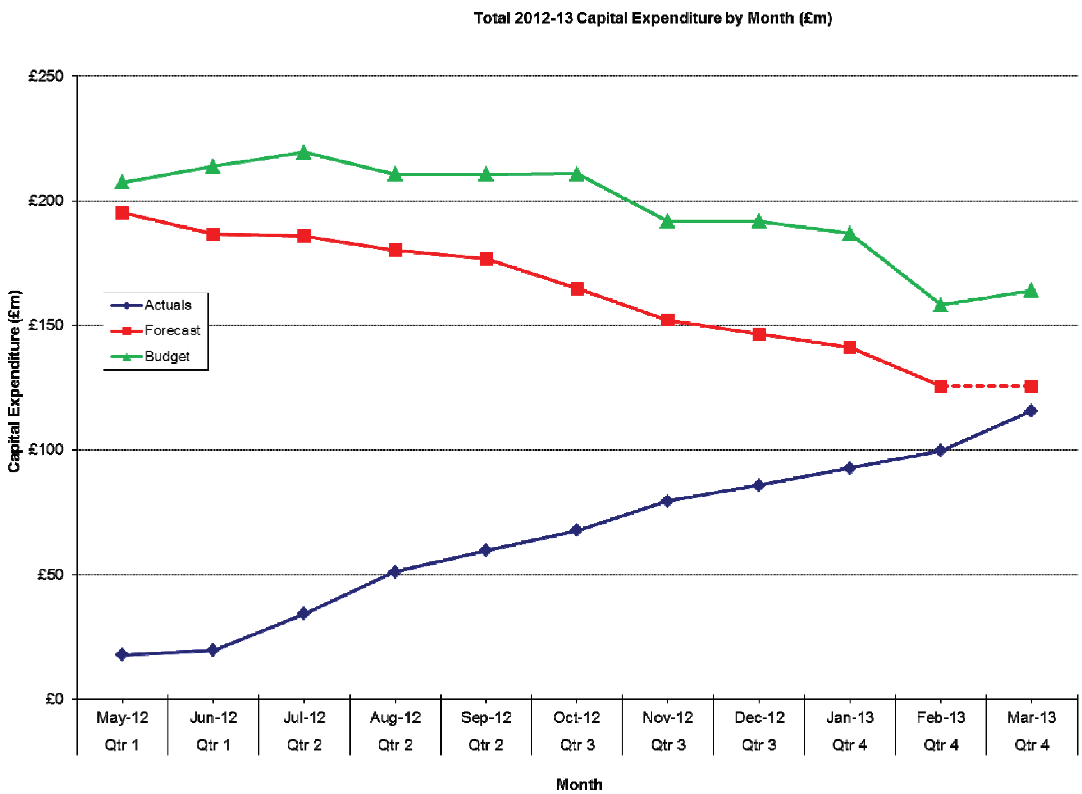
Portfolio	Outturn £000	Budget £000	Variance £000	Month 11 forecast £000	Change on Month 11 £000
CYPF	39,383	66,942	(27,559)	46,230	(6,847)
Place	17,764	27,900	(10,136)	17,580	184
Housing	47,271	51,409	(4,137)	47,562	(291)
Communities	1,366	1,935	(569)	1,353	13
Resources	9,776	15,728	(5,952)	12,850	(3,074)
Grand Total	**115,560**	**163,913**	**(48,353)**	**125,575**	**(10,015)**

92. The graph below shows the accuracy of forecasting by comparing the Year End Outturn against the Approved budget and the forecast at Month 11. It clearly shows:

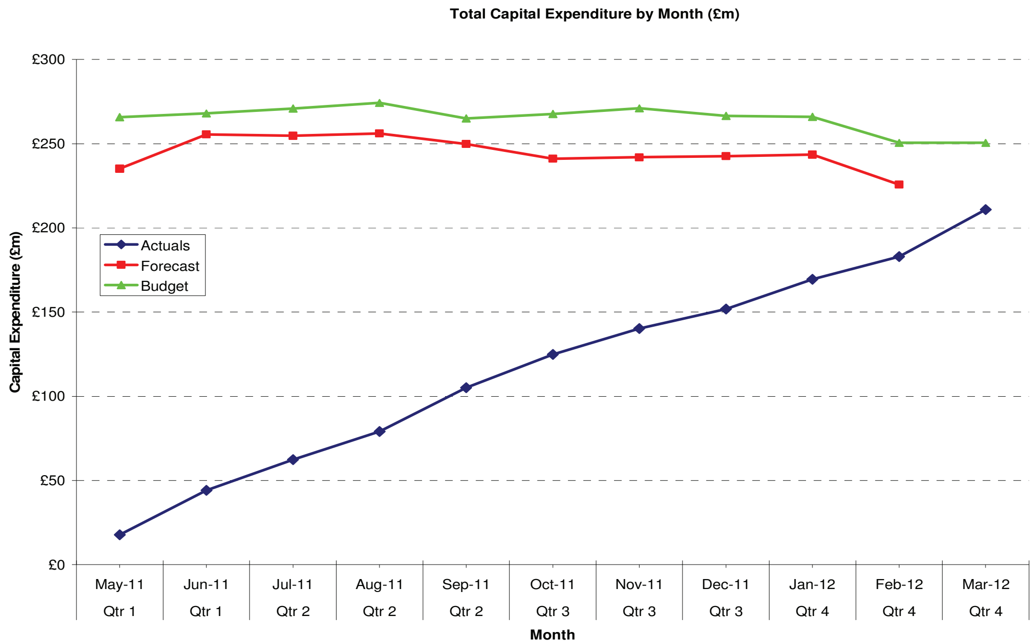
- the significant shortfall against the Budget (after the £44m of previously approved slippage has been taken out); and
- the variation in the CYPF and Resources programme Month 11 forecasts



The variation has been present all year as the graph below shows the degree to which forecasts have been reduced over the year, but still leaves a large slippage gap against budget.

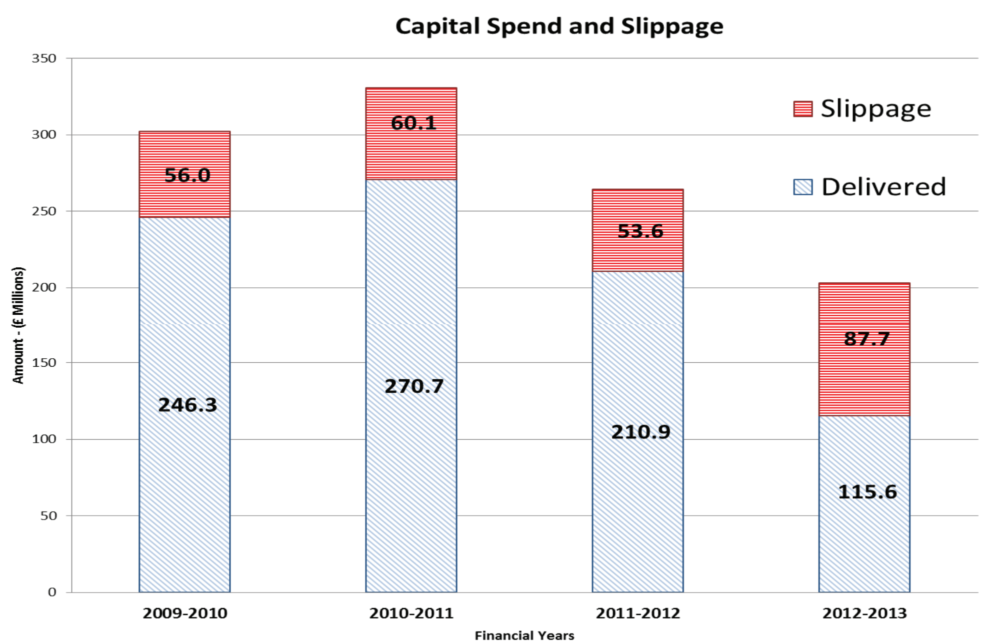


The overall variance to budget is larger than 2011/12. However the 2012/13 graph shows that forecast has been adjusted regularly and the reduction in budget shows that slippage has been recognised earlier in the year.



Slippage

93. The year-end position is that only 60% of the programme was actually delivered by 31 March 2013. This compares against previous annual slippage of £56m in 2009/10, £60.1m in 2010/11 and £53.6m in 2011/12.



The analysis of the £87.7m slippage by programme is shown in the table below:

Portfolio	Previously Authorised Slippage	Year End Slippage	Total
	£m	£m	£m
CYPF	9.6	25.8	35.4
Highways	0.0	5.2	5.2
Other Place	0.2	3.8	4.0
Housing	19.3	2.3	21.6
Communities	0.9	0.2	1.1
Resources	14.5	6.0	20.5
TOTAL	**44.4**	**43.3**	**87.7**

94. Projects requesting Year End slippage which have not spent in the last three months (totalling £900k) have been separated from the year end slippage figures pending investigation. These may reveal further under spending, the majority of which (£500k) is in CYP.

95. Other underspending projects will be discussed with the Cabinet Member for Finance and the Cabinet member in whose portfolio the project resides in order to establish if the project funding is still required.

Children, Young People and Families Programme

96. CYPF capital expenditure is £27.6m (41%) below the profiled budget for the year for the reasons set out in the table below.

Cause of change on Budget	Outturn £000
Slippage to be carried forward	-24,191
Slippage on Devolved Budgets	-2,207
Accelerated spend	562
slippage - no spend in last 3 months	-500
Under spending on project estimates	-343
Other variances	-880
	-27,559

97. £26.8m of the underspend against budget is due to slippage, comprising mainly £13.9m BSF; £4.7m on the Basic Need Block Allocation due to re-phasing of school building/capacity costs; and £1.5m on the Primary

Prioritisation Programme. Additionally, £2.2m has been slipped on Devolved Formula Capital which is under the control of individual school managements. A further £343k of under spend against approved amounts has been identified on various school programmes.

98. The BSF underspend reflects revised project plans e.g. £2m re-phasing at Handsworth Grange due to a revised demolition plan, and, potential cost savings.

Place Programme

99. The Place portfolio programme Outturn (excluding Housing) is £17.8m, £10.1m (36%) below the budget for the reasons set out in the table below.

100. The main reason for variance to date is £9.4 of project slippage details as follows: £4.5m of slippage is numerous Local Transport Planning schemes, the largest being £1.5m for the BRT North and Tinsley Link where land purchases have not been completed as quickly as anticipated, £294k slippage on the Moor Public Realm scheme, £259k On Edward Street, £1.5m on Alison Crescent and £500k on Ann's Grove the last two schemes both LEGI funded.

A further £1m of under spend on projects including £262k on Woodseats Road Railway Bridge, £86k on section 278 for which no budget were set up in the system, and £262k of underspend on Safety Cameras due to work now being carried out by the PTE not SCC.

Cause of change on Budget	Outturn £000
Slippage to be carried forward	-9,255
Accelerated spend	39
slippage (no spend in last 3 months	-247
Overstatement of budgets	
Underspends	-1,022
Overspending on project estimates	726
Other variances	-377
	-10,136

Housing Programme (Place Portfolio)

101. The Place portfolio programme out turn for housing is £47.3m. The Housing capital programme has outturned £4.1m (8%) below the budget set for 2012/13 of £51.4m for the reasons set out in the table below:

Cause of change on Budget	**Outturn £000**
Slippage to be carried forward	-3,453
Accelerated spend	1,142
slippage on Home Improvement grants Homes and Loans	212
Projects submitted for Approval overspends on projects	15
Under spending on project estimates	-1,856
Other variances	-197
	-4,137

102. The main reason for this variation is due to slippage (£3.4m) of which £720k is within the Delegated Capital Schemes managed by Sheffield Homes. The £1.8m underspends are made up of £74k Skinnerthorpe, £219k Sheltered decommissioning(due to contract demolition payments being cheaper than anticipated), £304k SWaN (due to the difficulty of predicting when the agreement on acquisitions and the agreement with home owners can be completed), £481k Low Carbon Pioneer Cities (due to solid wall insulation measures not being carried out due to planning timescales, contractors capacity and difficulty in identifying willing households, other plans to use the funding were hampered because of asbestos problems resulting in grant not being taken up) and £139k on the Obsolete Heating scheme.

Communities

103. The Outturn on the Communities portfolio capital programme is £1.3m which is £569k (29%) below the full year budget. £127k relates to slippage on the implementation of the ICT infrastructure and £355k due to delayed work on the Joint Reconfiguration Strategy project.

Resources

104. The outturn is £9.7m (38%) below the approved programme budget of £15m.

The key reasons for the variance are below:

Cause of change on Budget	Outturn £000
Slippage to be carried forward	-6,209
Accelerated spend	199
Slippage no spend in last 3 months	-124
underspends	-131
Overspending on project estimates	140
Other variances	173
	-5,952

105. The Outturn position is £5.9m under budget and comprises the following:

- £3.5m slippage on the Castle Market Demolition and construction of the new Market and yard. The cold weather in March has created a four week delay in the construction programme which will be recovered and the market will open on time ;

- £541k slippage on non- office asset rationalisation

- £629k slower progress on Health and Safety Compliance works.

Approvals

106. A number of schemes have been submitted for approval in line with the Council's agreed capital approval process.

107. Below is a summary of the number and total value of schemes in each approval category:

- 6 additions to the capital programme with a total value of £93.6m;

- 2 Variations to the capital programme creating a net decrease of £408k;

- Year End slippage requests totalling £43.3m;

- 1 procurement strategy;

- 1 contract award;

- 1 instance where directors have exercised their delegated powers to vary approved expenditure levels; and

- 2 instances where Executive Directors and Cabinet Members have exercised their delegated powers to make emergency approvals.

108. Further details of the schemes listed above can be found in Appendix 4

TREASURY MANAGEMENT ISSUES

109. Under the terms of the CIPFA Code of Practice on Treasury Management, there is an obligation to report on the borrowing and investment activity which has been undertaken during the year. This is contained in Appendix 5.

110. Furthermore, under the Prudential Code For Capital Finance, the Council also needs to report on the actual Prudential Indicators for the year and compare these against the original indicators which were set as part of the 2012/13 Revenue Budget approved by Council on 9 March 2012. These are also contained in Appendix 5.

111. In summary, the Council has complied with all the relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities.

FINANCIAL IMPLICATIONS

112. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2012/13 and, as such it does not make any recommendations which have additional financial implications for the City Council.

EQUAL OPPORTUNITIES IMPLICATIONS

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

PROPERTY IMPLICATIONS

114. Although this report deals, in part, 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

115. Members are asked to:

(a) Note the updated information and management actions provided by this report on the 2012/13 outturn.

(b) In relation to the Capital Programme, Cabinet is recommended to:

(i) approve the proposed additions to the capital programme listed in Appendix 4, including the procurement strategies and delegations of authority to the Director of Commercial Services or Delegated Officer, as appropriate, to award the necessary contracts following stage approval by Capital Programme Group;

(ii) approve the proposed variations in Appendix 4;

(iii) note the proposed slippage adjustments to the capital programme in 2012/13, and delegate to the Cabinet Member for Finance the authority to approve such adjustments on conclusion of any necessary review, and note;

(iv) the latest position on the Capital Programme.

REASONS FOR RECOMMENDATIONS

116. To formally record 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

117. 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.

Eugene Walker
Director of Finance

APPENDIX 1

NON-EARMARKED AND EARMARKED REVENUE RESERVES

* a negative number indicates that the reserve is in deficit: in this case because of up front investment that is to be repaid in future years from savings

Description	Balance at 31/03/12 £000	*Movement in 2012/13 £000*	Balance at 31/03/13 £000	*Movement in 2013/14 £000*	Balance at 31/03/14 £000	Explanation
Non-earmarked Reserves						
General Fund Reserve	10,350	*832*	11,182	*(460)*	10,722	The Council's working balance: used as a last resort for emergency spend. Level at just over 2% of net spending benchmarks low compared to most Local Authorities.
	10,350	***832***	**11,182**	***(460)***	**10,722**	
Earmarked Reserves						
Invest to Save Reserve:						This reserve is in deficit because it has funded up front investment in the Capita contract (mainly ICT investment) and various Transformation projects (e.g. procurement savings; changes in finance including replacement of the council's finance system and Customer First). These projects have been funded on an invest-to-save basis with savings being used in two ways, to repay the reserve by 2015 and an annual contribution, now £3.5m to support the revenue budget.
Projects	(7,458)	*2,079*	(5,379)	*4,207*	(1,172)	
Capita Contract	(15,860)	*3,551*	(12,309)	*2,425*	(9,884)	
Customer First	(4,868)	*(3,565)*	(8,433)	*(2,101)*	(10,534)	
Investment Fund	0	*959*	959	*1,500*	2,459	
Total Invest to Save Reserve:	**(28,186)**	***3,024***	**(25,162)**	***6,031***	**(19,131)**	
PFI Reserve	18,305	*(1,104)*	17,201	*(1,681)*	15,520	The PFI reserve represents grant we have received in advance of the need to make payments. It is set aside to ensure we can cover the cost of contracts in future years. The Deficit on Highways PFI represents project costs incurred prior to the start of the programme and will be repaid by 2014/15.
Highways PFI Reserve	(10,016)	*(1,852)*	(11,868)	*6,745*	(5,123)	
Total PFI Reserve	**8,289**	***(2,956)***	**5,333**	***5,064***	**10,397**	

MSF	**35,569**	***5,458***	**41,027**	***(11,193)***	**29,834**	**This** fund has been made available on a temporary basis to support Invest to Save projects as described above, but will be required to fund the future costs of the Major Sporting Facilities. (re Ponds Forge, Don Valley Stadium and Hillsborough Leisure Centre).
Local Growth Fund	**2,202**	***(505)***	**1,697**	***96***	**1,793**	This reserves is earmarked to support economic development across the City.
Other earmarked	**30,952**	**(2,271)**	**28,681**	**(11,884)**	**16,797**	Various earmarked funds including Equal Pay Provisions, Redundancies, Social Care Pressures, Business Rate Appeals, Insurance risks not specifically covered by the insurance provision and portfolio reserves agreed by Cabinet in previous years for service specific issues e.g. Troubled Families Support.
Total Earmarked Reserves	**48,826**	***2,750***	**51,576**	***(11,886)***	**39,690**	
Total Revenue Reserves	**59,176**	***3,582***	**62,758**	***(12,346)***	**50,412**	

Schools Reserves

The balance on schools reserves allocated under Local Management of Schools Legislation of £16m is not shown in the above table as it does not form part of the usable reserves - it is restricted to spend on schools.

Appendix 2

COLLECTION FUND
FOR THE YEAR ENDED 31st MARCH 2013
INCOME AND EXPENDITURE ACCOUNT

2011/12	INCOME	2012/13 ACTUAL	
£'000		£'000	£'000
228,538	Council Tax	231,674	
195,330	National Non-domestic Rates	202,121	
0	Adjustment of Previous Years Community Charges	0	
423,868	**TOTAL INCOME**		433,795
	EXPENDITURE		
	Precepts and Demands:		
197,227	Sheffield City Council	197,737	
	South Yorkshire Joint Authorities:		
20,298	South Yorkshire Police	21,153	
9,230	South Yorkshire Fire & Civil Defence	9,618	
226,755			228,508
-192	Estimated Previous Year's Council Tax Surplus		597
	National Non-Domestic Rates:		
194,565	Payment to National Pool	201,347	
765	Cost of Collection	774	
195,330			202,121
0	Adjustment of Previous Years Community Charges		0
460	Provision for Non-Payment of Council Tax		1,410
422,353	**TOTAL EXPENDITURE**		432,636
-1,515	(Surplus)/Deficit for the Year		-1,159
305	Balance Brought Forward		-1,210
-1,210	Balance Carried Forward		-2,369

	Month 12 Outturn £ '000	2012/13 Budget £'000	Variance £'000
Housing Revenue Account			
Total Income	(141,897)	(141,093)	804
Total Expenditure	133,169	142,386	9,217
Surplus ( ) / deficit in the year	(8,728)	1,293	10,021
HRA Balances			
Balance b/fwd as at 1 April 2012	(11,658)	(11,658)	0
Surplus ( ) /deficit in the year	(8,728)	1,293	10,021
Balance c/fwd as at 31 March 2013	(20,386)	(10,365)	10,021

Community Heating Account			
Total Income	(3,353)	(3,369)	(16)
Total Expenditure	3,962	4,428	466
Surplus ( ) / deficit in the year	609	1,059	450
Community Heating Balances			
Balance b/fwd as at 1 April 2012	(2,751)	(2,751)	0
Surplus ( ) /deficit in the year	609	1,059	450
Balance c/fwd as at 31 March 2013	(2,142)	(1,692)	450

Capital Schemes

Scheme Description	Approval Type	Value £000	Procurement Route
A GREAT PLACE TO LIVE:-			
Homes			
Council Homes New Build Programme			
It is proposed to kick start the programme for new build Council housing with the acquisition of 30 homes for social rent from the Sheffield Housing Company. This acquisition is to be paid for by a £3.5m contribution from the Housing Revenue Account. The funds for this will come from £1.05m of estimated receipts from the new Right to Buy programme and £2.45m of prudential borrowing. The new build homes to be acquired are a mix of 2 and 3 bedroom properties which include 9 built to mobility standards of which 5 will be to full wheelchair standard. All these properties have been developed using the Council's own Planning and Phase Briefs which sets a high commitment to quality and sustainability having achieved Code for Sustainable Homes level 3 and having been awarded a 'Very Good' certificate by the British Research Establishment (BRE) under its BREEAM Communities framework; one of the first housing schemes in the country to achieve this. The Council has sought to play a significant role in the design of these properties and the layout of the schemes as a whole. The houses will provide both new and existing tenants with a greater choice and availability of new homes which will be designed to a high quality, will be sustainable, capable of responding to changing life styles and needs and ultimately be cheaper to run. The homes will be built in the Shirecliffe area.	Addition	3,500	Single tender

Capital Schemes

A second phase of the New Build programme will deliver a further 45 new build properties on Council owned land and plans will be brought forward in due course.			
Roofing Projects In 2011/12 as part of the HRA task and finish work the need to tackle the backlog of external work that had not been affordable during the Decent Homes programme was agreed as a priority. This work is essential in order to protect the substantial investment in the internal fabric that the Council has made since 2004/05 and will also enhance the appearance of neighbourhoods. Investment in the external fabric also provides an opportunity to generate savings to the revenue repairs budget by a planned programme of replacement rather than carrying out expensive individual responsive repairs which may require scaffolding. Sheffield Homes has developed a substantial roofing programme, around £100m which has been agreed in principle by the Housing Investment Board. The projects are funded mainly from revenue contributions from the HRA. The Projects below show the 5 year plan. There is a further year 2018/19 taking the spend up to £100m which has at this time not been included and will be added next year **Flat Roofing** This project is for supply and installation of replacement flat roof coverings to houses and flats in various locations throughout the City including removal of existing coverings, checking structure and remedial structural work. Approximately 2,500 homes will benefit over the 5 year Project.	Addition	8,568	Competitive Tender
Pitched Roofing & Rooflines This Project is to carry out roof renewals to 16,977 properties across the city. This will be a substantial investment over the next 5 years and reduce the volume of responsive	Addition	74,832	Competitive Tender

Capital Schemes

repairs to council properties across the city. It is envisaged that four contracts will be let in 2013/14, two of £25-32m each and two smaller contracts of up to £1m each which will be specifically promoted to the local supply chain. A further procurement strategy with a value of circa £11m will be brought in 2014/15 in the light of experience from the first round of procurement.			
Community Heating – Plant rooms – Callow Tower Blocks This project is to replace 2 gas community heating boilers at the Callow Tower blocks. If these boilers are not replaced urgently they will become un-serviceable and would lead to complete loss of heating and hot water for around 300 homes across 6 tower blocks. It is anticipated that the likelihood of failure will increase over the colder months of the year and it has become urgent to replace theses boilers before the winter months. In Dec 2012 one boiler had to be shut down for repairs and the remaining one struggled to maintain supply in peak periods. There is also a sheltered block within this scheme which would mean the re-homing of residents if the heating failed. There are four boilers in place at the moment - 2 gas boilers which are operating, and one biomass which has broken down and a Combined Heat and Power boiler (CHP) that has reached the end of its life and has been shut down. Phase 1 of the project will replace the gas boilers which are sufficient to meet all the heating needs of the buildings, Phase 2 is to install a new biomass boiler and phase 3 will replace the CHP if there is a viable business case. Reactivating these two boilers would strengthen the Council's decentralised energy network and meet demand surges as well as generating money. Funding for phases 2 and 3 has not yet been identified. The immediate need is for Phase 1 to be completed before the 2013 autumn/winter heating season. The boiler replacement project is drawing down funds from the HRA Capital Projects	Addition	215	Kier Sheffield LLP Jobs compact

Capital Schemes

Unallocated Block Funding which is funded mainly from revenue contributions from the HRA.			
SUCCESSFUL CHILDREN & YOUNG PEOPLE :-			
Norfolk Park School Replacement This project will refurbish and adapt the Standhouse Centre (formerly the site of the Manor Young Children's Centre) on Queen Mary Road, to accommodate the permanent relocation of Norfolk Park Primary School. Norfolk Park Primary School currently occupies premises which are not suitable for purpose due to inappropriate layouts for delivering appropriate education to some extremely vulnerable children, in addition to the poor physical condition of the buildings and HME (Heating, Mechanical & Electrical) equipment, which would require either a significant upgrade or permanent relocation. The school provides education for 80 pupils with learning difficulties and complex needs. Feasibility studies undertaken by CDS (Capital Delivery Service) indicate that a permanent relocation of Norfolk Park Primary school to the Standhouse building would be the optimal solution. This would provide enhanced and more modern facilities without the need to decant (and return) these vulnerable pupils offsite whilst major refurbishment was being undertaken, improving the education, welfare and dignity of these pupils. The project will be funded from DfE Capital Maintenance Grant allocations for 2013/14 and 2014/15 (£3,823k) and from budget savings transferred from other, now completed, capital maintenance projects, as noted below, Asbestos Removal (£136k) and Asset	Addition	4,230	Design by In-house provider (Capital Delivery Service); full competitive tender for contract works

Capital Schemes

Management Plan Condition Surveys (£271k).			
Asbestos Removal This project was originally set up to enable the safe removal of asbestos from CYPF owned sites. The final forecast has resulted in costs being managed at a lower level than the originally anticipated costs. Accordingly, the budget is requested to be varied to enable a specific contribution to the funding of the Norfolk Park School Replacement project above. The project was originally funded from Single Capital Pot funding.	Variation (Cabinet)	(136)	N/A: Variation
AMP Condition Surveys This project was originally set up to facilitate site condition inspections in Sheffield schools. The final forecast has resulted in costs being managed at a lower level than the originally anticipated costs. Accordingly, the budget is requested to be varied to enable a specific contribution to the funding of the Norfolk Park School Replacement project above. The project was initially funded from a Government Modernisation Grant.	Variation (Cabinet)	(272)	N/A: Variation
Gleadless Primary Rebuild This project consists of the design of both new Infant and Junior blocks to be located at the existing Gleadless Primary School site and the subsequent construction of the new Infant block. The school exists on a split site, separated by a main road. The Infant site has significant condition issues which need addressing. It is proposed to rebuild the Infants on the Junior site area which is large enough to accommodate both Infant and Junior schools. The vacant Infant site proceeds can then be used for other corporate investment priorities. The project provides for the design of new school Infant and Junior blocks but, at this point in time, to rebuild only the Infant block. The plan is to rebuild the Infant block adjacent to the existing Junior building, with the juniors remaining in their current	Addition	2,300	Design by YorConsult And competitive tender for the construction

Capital Schemes

accommodation at this stage. The concurrent design of a potential new Junior block is recommended to allow for economies of scope and to ensure the two school blocks, future funding permitting, are rebuilt to similar designs and standards. All major construction work is to be scheduled for the school summer holidays to minimise disruption to pupils and to be ready for use from the beginning of the relevant Autumn term. The project will be funded through Capital block allocations from DfE grants covering 2013/14 and 2014/15.			
SLIPPAGE / ACCELERATED SPEND:-	None		
STAGE APPROVALS:-			
See Stage Approvals Report (Appendix 2) for further details. **PROCUREMENT STRATEGY**			
Local Transport Plan			
These projects are not part of the “core” Streets Ahead highways maintenance contract but the Council’s agreed strategy is to deliver these “non-core works” through Amey, as the great majority of the schemes can be delivered simultaneously with the Streets Ahead project maximising value for money and minimising disruption to highway users. The programme has therefore been designed to align with Amey’s “zonal” programming approach as closely as possible.	Procurement Strategy	7,325	Single source tender and in accordance with Schedule 7 of the Highways PFI contract

Capital Schemes

This submission requests approval for the procurement strategy for a range of projects funded by: Local Transport Plan (SCC) ………. £3.194m LSTF-Key Component £0.150m LSTF-Main Bid (SCC)... £0.710m LSTF-MB (PTE)… £0.700m Better Buses Area Funding (BBAF)1 £0.510m (SCC allocation) BBAF1 (PTE)…… £0.609m BB2………………. £2.000m [BB – Better Buses; LSTF – Local Sustainable Transport Fund; SCC – Sheffield City Council; PTE – South Yorkshire Passenger Transport Executive].			
EMERGENCY APPROVALS:- (Note only)	None		
Sheffield LDV Flood Defence This Emergency approval is to accept an additional £188k from the Environment Agency to cover increased costs of the flood Defence work The extra costs are due to the complexity of the work and additional surveying and modelling work. The emergency approval is required due to the opportunity to receive £98K before the end of this financial year which would be lost if it is not claimed by the March deadline. The loss of this funding would threaten the completion of this project as no other funding is yet in place.	Emergency	188	A waver has been granted in favour of Peter Brett Associates for them to undertake this work in December 2012. The waiver is capped at a value of £83k and subsists until April

Capital Schemes

Don Valley SYITS (South Yorkshire Intelligent Transport Systems) Part of the overall SYITS traffic management programme led* by Sheffield City Council to develop adaptive traffic management strategies and identify priority junctions and requirements for investment in new or modified traffic signal control equipment, this scheme will develop a traffic model for Sheffield within the Don Valley Enterprise Corridor. Emergency approval was sought to include initial works as part of the Don Valley SYITS scheme in the Capital Programme in order to ensure the money could be used in time to progress this project which would otherwise lead to a significant (unfunded) pressure on Transport, Traffic and Parking Services revenue budget. It is funded through the LSTF (Local Sustainable Transport Fund) - held by SYITA. *£204k of the £345k will be met by Rotherham BC - £40k to be spent via a framework contractor and the remainder via in house supplier. The full scheme budget is £870k: the difference between this and the amount approved by Emergency Approval (£345k), at £525k will be presented to CPG at a later date and a new procurement strategy written.	Emergency	345	Procurement Strategy not required as part covered by Internal Framework, part staffing costs and part covered by Rotherham BC procurement processes.
DIRECTOR VARIATIONS:- (Note only)			
Hollinsend Park MUGA (Multi Use Games Area):- This project is to provide a multi-use games area in Hollinsend Park There are no other alternative outdoor sports facilities within the neighbourhood, the nearest alternatives are all over 1.5 km and separated by dual carriageway/ring road. This is a variation for £3,175 of Section 106 monies to be used to cover increased fee and consultation costs already identified in the business plan	Director	3	Competitive Tender

Appendix 4

Capital Schemes

RETROSPECTIVE APPROVALS;-	None		

Annual Treasury Management Review

1. 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 2012/13. 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 2012/13 the full Council received the Annual Treasury Strategy whilst Cabinet were presented with the Outturn Report and a Mid-Year Report. Regular reports were also taken to the Cabinet Member for Finance throughout 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 requested during the year in order to support members' scrutiny role. A number of training sessions have taken place in April and May 2013.

2. The Economy and Interest Rates

The financial year 2012/13 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

The original expectation for 2012/13 was that Bank Rate would start gently rising from quarter 4 2014. However, economic growth in the UK was disappointing during the year. Many reasons have been put forward for this including the UK austerity programme, weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting, and weak growth in our biggest export market - the European Union (EU).

The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe.

Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £50bn in July to a total of £375bn. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation fell from 3% at the start of the year to end at 2.8% in March, with a fall back to below 2% pushed back to quarter 1 2016. The EU sovereign debt crisis was an ongoing saga during the year with first Greece and then Cyprus experiencing crises which were met with bailouts after difficult and fraught negotiations.

Gilt yields which influence the price of Council borrowing from PWLB fluctuated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. This, together with a further £50bn of QE in July and widely expected further

QE still to come, combined to keep PWLB rates depressed for much of the year at historically very low levels.

The Funding for Lending Scheme, announced in July, resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling sharply in the second half of the year. However, perceptions of counterparty risk have improved after the European Central Bank statement in July that it would do “whatever it takes” to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.

2. Overall Treasury Position as at 31 March 2013

At the beginning and the end of 2012/13 the Council‘s treasury (excluding borrowing by PFI and finance leases) position was as follows:

Authority Level

TABLE 1	31 March 2012 Principal	Rate/ Return	31 March 2013 Principal	Rate/ Return
Total debt	**£591m**	**4.7%**	**£698m**	**4.6%**
CFR	**£821m**		**£790m**	
Over / (under) borrowing	**(£230m)**		**(£93m)**	
Total investments	**£46m**	**0.9%**	**£138m**	**0.8%**
Net debt	**£545m**		**£560m**	

HRA & General Fund Level

HRA	31 March 2012 Principal	Rate/ Return	31 March 2013 Principal	Rate/ Return
Total debt	**£225m**	**5.2%**	**£268m**	**4.9%**
CFR	**£346m**		**£346m**	
Over / (under) borrowing	**(£120m)**		**(£78m)**	
Total investments	**£0m**	**0%**	**£0m**	**0%**
Net debt	**£225m**		**£268m**	

General Fund	31 March 2012 Principal	Rate/ Return	31 March 2013 Principal	Rate/ Return
Total debt	**£366m**	**5.2%**	**£430m**	**4.4%**
CFR	**£471m**		**£465m**	
Over / (under) borrowing	**(£105m)**		**(£35m)**	
Total investments	**£46m**	**0.9%**	**£138m**	**0.8%**
Net debt	**£319m**		**£292m**	

3. Treasury Strategy

The expectation for interest rates within the strategy for 2012/13 anticipated low but rising Bank Rate (starting in quarter 4 of 2014) with similar gradual rises in medium and longer term fixed borrowing rates over 2012/13. 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 counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

The actual movement in gilt yields meant that PWLB rates fell during the first quarter of the year to historically low levels. This was caused by a flight to quality into UK gilts from EU sovereign debt, and from shares, as investors became concerned about the potential for a Lehman's type crisis of financial markets if the Greek debt crisis were to develop into a precipitous default and exit from the Euro. During the second and third quarters, rates rose gradually and agreement of a second bail out for Greece in December saw the flight to quality into gilts reverse somewhat, as confidence rose that the Eurozone crisis was finally subsiding. However, gilt yields then fell back again during February and March as Eurozone concerns returned, with the focus now shifting to Cyprus, and flight to quality flows into gilts resumed. This was a volatile year for PWLB rates, driven by events in the Eurozone which oscillated between crises and remedies.

The Council opted to take advantage of the historically low-rate environment to take new fixed-rate loans from the PWLB and a long fixed-term loan from a local authority. This has allowed the Council to 'de-risk' a large element of its exposure to interest-rate rises that was present through having such a large under-borrowed position (as shown above). Taking on new fixed-term low-rate loans was also a key factor in Treasury's support of the HRA's new self-financing business-plan which favoured a degree of certainty over risk.

Taking on new loans during a low-rate environment requires us to measure up the advantages and disadvantages of doing so. Taking the loans allowed us to remove a large degree of risk that we were carrying and had little opportunity to mitigate; it also allowed us to take historically cheap borrowing that will benefit the Council over a long period; taking the loans also allowed us to support the Council's move to a two-pool approach to debt management where the HRA's and General Fund's debt is independently managed to better support each fund's business plans. However, taking the loans resulted in larger than normal cash surpluses that attracted poor investment returns. Officers are content that on balance the overall strategy will efficiently support the Council's plans during these difficult times.

4. The Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

	31 March 2012 Actual	31 March 2013 Budget	31 March 2013 Actual
CFR General Fund (£m)	£698	£686	£751
CFR HRA (£m) *(if applicable)*	£346m	£360m	£346m

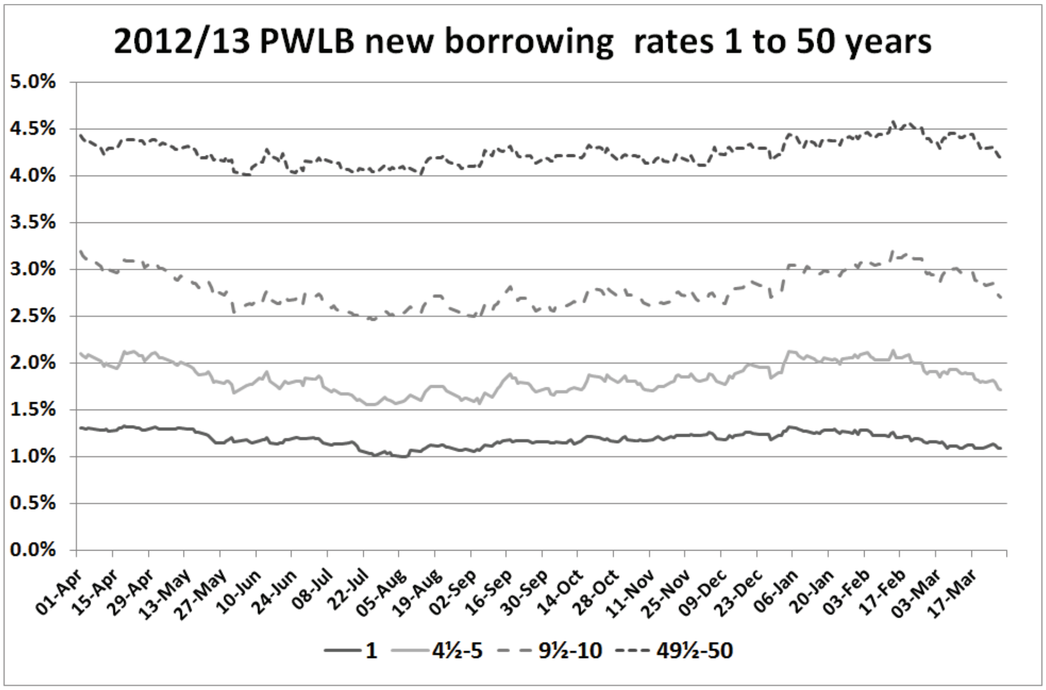
	31 March 2012 Actual	31 March 2013 Budget	31 March 2013 Actual
Total CFR	£1,044m	£1,046	£1,097

The increase on overall CFR and the General Fund CFR is principally due to the recognition of two PFI projects that are accounted for as credit liabilities. These schemes relate to the Highways PFI project and Bradfield School.

It was anticipated that the HRA would use around £14m of borrowing during the year to fund capital expenditure. However, this was not required so the HRA's borrowing requirement did not increase.

6. Borrowing Rates in 2012/13

PWLB borrowing rates - the graph below shows how PWLB rates remained close to historically very low levels during the year.



7 Borrowing Outturn for 2012/13

During the year the Council borrowed £115m for the General Fund (see annex 2).

The use of this borrowing can be broadly represented as follows:

Use	Value
Borrowing Raised	£115m
To refinance existing borrowing	(£56m)
To fund in-year capital expenditure	(£8m)
To clear under-borrowing position (backlog borrowing from prior years)	(£51m)

The average rate of new long term borrowing taken was 3.9% compared to 10.4% on the long term borrowing it replaced.

During the year the Council borrowed £48.5m for the HRA (see annex 2).

The use of this borrowing can be broadly represented as follows:

Use	Value
Borrowing Raised	£48.5m
To refinance existing borrowing	(£3.5m)
To fund in-year capital expenditure	(£0m)
To clear under-borrowing position (backlog borrowing from prior years)	(£45m)*

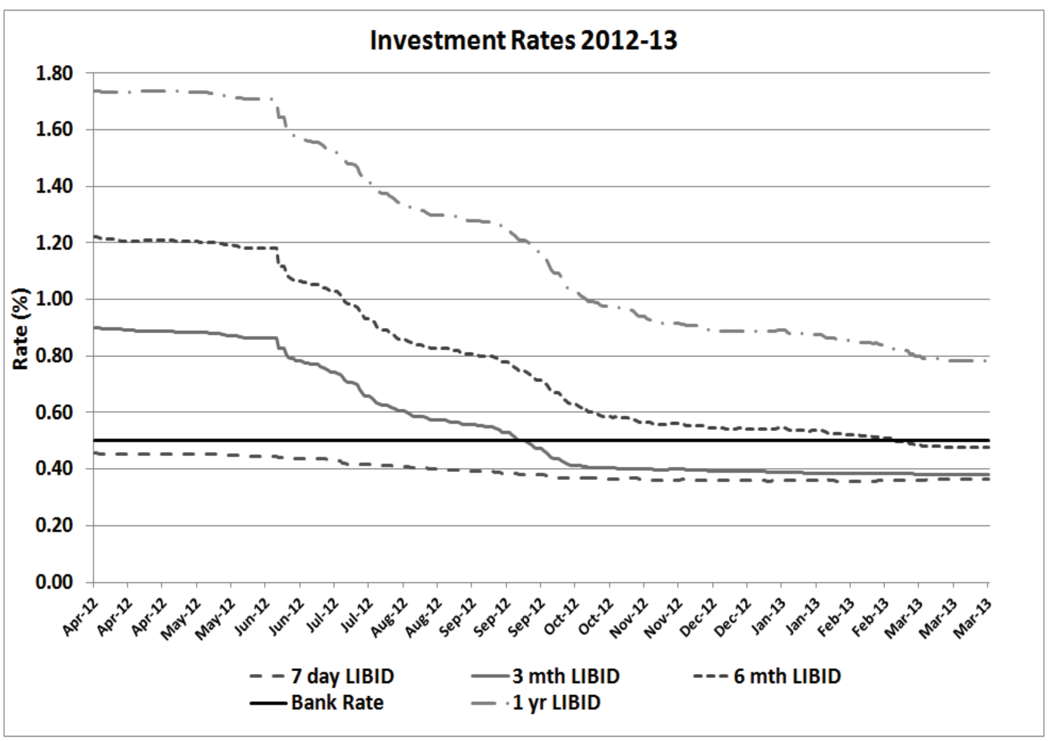
*Relates to repayment of internal 'loans' afforded to the HRA by the General Fund as part of the transition to a two-pool debt approach following HRA self-financing

The average rate of new long term borrowing taken was 3.7% compared to 10.4% on the long term borrowing it replaced.

Clearing a significant amount of the Council's under borrowed position has enabled the Council to manage down the risk that the Council was open to concerning interest-rate rises.

8 Investment Rates in 2012/13

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for four years. Market expectations of the start of monetary tightening were pushed back during the year to early 2015 at the earliest. The Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year.



9 Investment Outturn for 2012/13

The Council's investment policy is governed by government guidance, which was been implemented in the annual investment strategy approved by the Council. This policy sets out 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.).

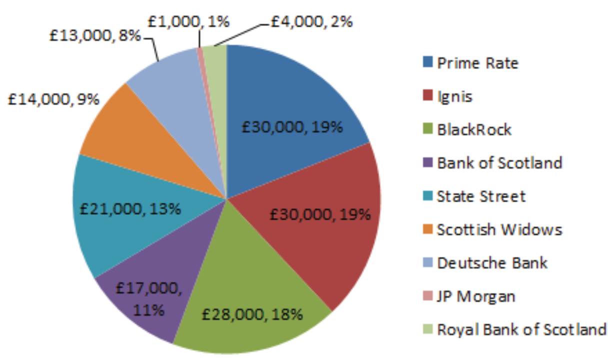
The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

The Council maintained an average balance of £158m of internally managed funds. The internally managed funds earned an average rate of return of 0.77% against a budgeted return of 0.70%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.39%.

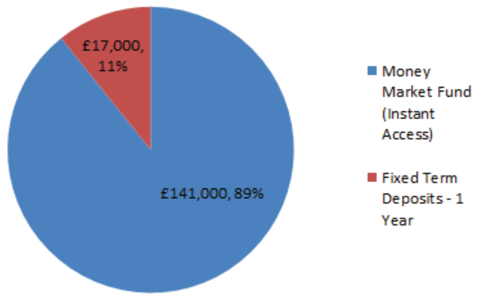
The Council would not normally plan to have such high cash balances, but the position was compounded by slippage and underspends on the capital programme of around £100m.

The following graphs represent how our investment portfolio looked, on average, throughout the year.

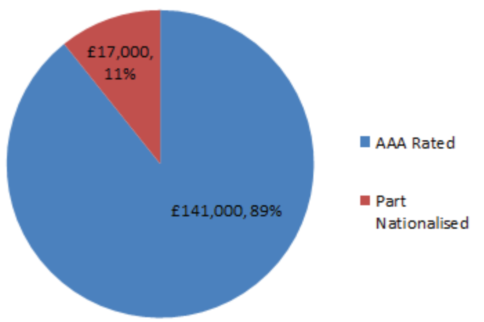
This graphs show that we split of deposits across a wide array of investment options. Having our investments spread across a large number of counterparties helps us diversify our portfolio reducing our direct exposure to any one institution should it get into trouble:



This graph shows that most of our money was placed with money market funds. Throughout the year we only invested in funds with assets of over £1bn and monitored who these funds invested with themselves. Money market funds are an attractive counterparty when there is significant counterparty risk because they only invest in the most secure assets whilst they allow us to remove our investment day-by-day should be we need to:



The final graph shows that our investments throughout the year were with only the most secure counterparties. The majority of deposits were placed with AAA rated money market funds whilst we also placed a fixed-term deposit with the Bank of Scotland. As Bank of Scotland is part of the part-nationalised Lloyds Banking Group this is akin to investing with the UK Government and gives us significant security:



Annex 1: Prudential and Treasury Indicators

During 2012/13, 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	2011/12 Actual £000	2012/13 Original £000	2012/13 Actual £000
Capital expenditure General Fund HRA Total	 146,000 30,000 176,000	 116,302 50,953 219,000	 74,754 40,930 115,684
Capital Financing Requirement: General Fund HRA Total	698,288 345,586 1,043,874	688,733 360,315 1,046,368	751,559 345,564 1,097,123
Net External debt	772,140	891,990	851,306
Gross External debt	817,815	891,990	989,191
Investments 0 Longer than 1 year 1 Under 1 year 2 Total	 0 45,675 45,675	 0 0 0	 20,000 117,885 137,885

Commentary

Although the Council's external debt has increased by around £170m during the year, our overall need for debt, which is represented by the Capital Financing Requirement, has only increased by around £51m.

This discrepancy is due to the Council's decision in prior years to use surplus cash from reserves and grants received in advance of need. Using this cash has meant that the Council could avoid taking on new loans, and adding to its external debt, where it would have otherwise needed to. This, in turn, saved the Council paying interest costs.

However, this was only ever a short term strategy as the Council would eventually need to put the cash back so that it could be spent as originally intended. Replacing this would require the Council to raise cash from loans or its revenue resources. Should loans need to be raised it was key to do so when costs were cheap, and before interest-rates rose as is probable.

During the year officers saw an opportunity to manage this issue in a cost-effective way. As borrowing costs hit record lows the Council took on a number of new loans. These loans allowed the Council to replace the cash it has previously 'borrowed' from itself. This strategy allowed the Council to manage down its internal-borrowing position and the risk this position brought.

However, following this strategy when coupled with the near £100m underspend on the capital programme meant that the Council had 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 a fixed-term deposit was placed with a part-nationalised bank. This investment policy meant that our deposits were very safe, but deposit returns were low.

Affordability Indicators

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2012/13 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.

	2012/13
Authorised limit	£1,100m
Maximum gross borrowing position	£1,003m
Operational boundary	£1,000m
Average gross debt position	£989m

Ratio of financing costs to net revenue stream	31 March 2012 actual	2012/13 original limits	31 March 2013 actual
General Fund	14.66%	14.77%	13.54%
HRA	35.00%	15.26%	10.22%

Incremental impact of capital investment decisions	31 March 2012 actual	2012/13 original limits	31 March 2013 actual
Increase in council tax (band D) per annum *	-	£18.77	£1.26
Increase in average housing rent per week (housing authorities only)	-	£0.27	£0.00

TABLE 1	31 March 2012 Principal	Rate/ Return	Average Life yrs	31 March 2013 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:						
PWLB	£182m	7%	26	£328m	5%	32
Market	£140m	5%	52	£140m	5%	52
Local Authorities	£96m		1	£52m		1
Variable rate funding:						
PWLB	£0m	0%		£0m	0%	
Market	£173m	4%	49	£178m	4%	49
Credit liabilities :						
PFI liabilities	£227m	11%		£291m	11%	
Total debt	**£818m**	**6%**	**38**	**£989m**	**6%**	**38**
CFR	**£1,043m**			**£1,097m**		
Over/ (under) borrowing	**£225m**			**£108m**		
Total investments	**£46m**	**0.9%**	**<1**	**£138m**	**0.8%**	**<1**
Net debt	**£772m**			**£851m**		

The maturity structure of the loan portfolio was as follows:

	31 March 2012 actual	2012/13 original limits	31 March 2013 actual
Under 12 months	39%	40%	32%*
12 months and within 24 months	8%	25%	13%
24 months and within 5 years	3%	35%	4%
5 years and within 10 years	4%	35%	21%
10 years and above	46%	95%	60%

*Included within this figure are bank loans that have a 'call option' that allows banks to either re-set the interest rate or allow us to repay the loan every six months. As this loan could be repayable in 6 months' time we show them as being due in under a year.

The maturity structure of the investment portfolio was as follows:

	2011/12 Actual £000	2012/13 Original £000	2012/13 Actual £000
Investments			
Longer than 1 year	0	0	20,000
Under 1 year	45,675	0	117,885
Total	45,675	0	137,885

The exposure to fixed and variable rates was as follows:

	31 March 2012 actual	2012/13 original limits	31 March 2013 actual
Fixed rate debt	£567m		£811m
Fixed rate investments	-£46m		-£138m
Net fixed rate exposure	**£521m**	**£780m**	**£673m**
Variable rate debt	£178m		£178m
Variable rate investments	£0m		£0m
Net variable rate exposure	**£178m**	**£320m**	**£178m**

Annex 2: Loans taken during the year

The following loans were taken for the General Fund during the year:

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£4m	Fixed interest rate	3.90%	15
PWLB	£4m	Fixed interest rate	3.97%	16
PWLB	£4m	Fixed interest rate	4.04%	17
PWLB	£4m	Fixed interest rate	4.10%	18
PWLB	£4m	Fixed interest rate	4.15%	19
PWLB	£2m	Fixed interest rate	3.78%	16
PWLB	£3m	Fixed interest rate	3.92%	18
PWLB	£3m	Fixed interest rate	3.98%	19
PWLB	£3m	Fixed interest rate	4.04%	20
PWLB	£4m	Fixed interest rate	4.08%	21
PWLB	£6m	Fixed interest rate	4.16%	23
PWLB	£10m	Fixed interest rate	4.05%	48
PWLB	£9m	Fixed interest rate	4.05%	49
PWLB	£5m	Fixed interest rate	2.77%	10
PWLB	£5m	Fixed interest rate	2.90%	11
PWLB	£10m	Fixed interest rate	4.02%	32

PWLB	£10m	Fixed interest rate	4.05%	36
PWLB	£5m	Fixed interest rate	4.05%	37
PWLB	£10m	Fixed interest rate	4.05%	47
PWLB	£5m	Fixed interest rate	3.19%	13
PWLB	£5m	Fixed interest rate	3.28%	14

The following loans were taken for the HRA during the year:

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£5m	Fixed interest rate	4.33%	25
PWLB	£5m	Fixed interest rate	4.35%	26
PWLB	£5m	Fixed interest rate	4.25%	27
PWLB	£5m	Fixed interest rate	4.27%	28
PWLB	£5m	Fixed interest rate	1.76%	5
PWLB	£5m	Fixed interest rate	1.98%	6
PWLB	£3.5m	Fixed interest rate	3.83%	24
PWLB	£5m	Fixed interest rate	3.99%	30
PWLB	£5m	Fixed interest rate	4.00%	31
Hampshire County Council	£5m	Fixed interest rate	4.08%	22