

**BRISTOL CITY COUNCIL  
CABINET  
26 January 2012**

**REPORT TITLE: Capital Programme 2012-2015 &  
Treasury Management Strategy 2012-2015 &  
Fourth Capital Monitor 2011/12**

**Ward(s) affected by this report: Citywide**

**Strategic Director: Will Godfrey - Strategic Director - Corporate Services**

**Report author: Peter Robinson - Service Director - Finance**

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**Report signed off by  
executive member: Cllr. B Janke 15 December 2011  
Cllr. S. Cook 12 December 2011**

**Purpose of the report:**

1. The report summarises the proposals for the capital programme that will contribute to the Council's Corporate Plan priorities and the Treasury Management Strategy for borrowing and lending for the period 2012/13 - 2014/15.
2. The significant issues in the report are:
  - Transport Bids – Bristol City Council with neighbouring authorities have successfully bid for three Transport infrastructure schemes primarily funded by grant from the Department for Transport, that will result in £196m of capital investment in transport infrastructure in Bristol and the surrounding area, with Bristol City Council's contribution being £42m. The schemes are -

Ashton Vale to Temple Meads (£49.9m)

South Bristol Link (£44.6m)

North Fringe to Hengrove (£101.8m)

Approval of these schemes will be subject to a separate Cabinet report, Para 28.

- The Children and Young Peoples Services capital investment programme was presented and approved by cabinet on the 15<sup>th</sup> of December 2011.
- Investing in Bristol's Future Package - the provision of £50m capital investment in priority areas to be funded from additional prudential borrowing. Recognising the urgent need to deliver further capital investment which will also boost the local economy. A further £20m for new school provision, £16m for Transport Schemes, £6m for Elderly Extra Care schemes inclusive of £500k for Aids and Adaptations, £6m for Bristol East Pool, and £2m for a Recycling Centre in Hartcliffe Way.
- The provision of £3.5m capital investment for new / improvements to parks, £1m for the regeneration of Lockleaze, and £380k for the upgrade of Jubilee swimming pool, funded by prudential borrowing.
- Proposals for the allocation of funding awarded by government and revenue contributions are set out in Appendix A;
- Latest position of the Capital programme 2011/12;
- The report sets out the Treasury Management Strategy for borrowing and lending (investment strategy) covering the period 2012/13 – 2014/15, including criteria for counterparties (i.e. Bodies to which the Council will lend) as referred to in paras 32 – 40 and Appendix B;
- The proposed Prudential Indicator targets for Treasury Management in Appendix C;
- Investment Framework , prioritising future capital resources

## **RECOMMENDATION for Cabinet approval:**

3. The allocation of earmarked resources to the relevant programmes/services is approved;
4. The allocation of £50m resources to the Investing in Bristol's Future Package is approved;
5. The allocation of £4.9m of resources for new / improvements to Parks, regeneration of Lockleaze and the upgrade to Jubilee swimming pool are approved;
6. The Treasury Management Strategy for 2012-2015 in appendix B is approved;
7. The Prudential borrowing and lending limits in appendix C are approved;
8. The Minimum Revenue Payment policy - per paragraph 40 (amount of outstanding debt that must repaid from revenue each year) is approved.

9. Regarding the Capital Programme for 2011/12:

- That the revised Capital Programme (2011/12), and additions to the programme (appendices W, X & Y) are noted;

10. To adopt the Investment Framework, and agree the funding allocations in this paper (para 52).

**Capital Programme 2012/13 - 2014/15**

11. The capital programme will contribute to the Council's Corporate Plan priorities and deliver new jobs for Bristol Citizens.
12. The capital programme is financed from government borrowing allocations, grants, and other resources earmarked for particular spending programmes, and from local discretionary resources (predominantly prudential borrowing and capital receipts).
13. Previously, to facilitate multi-year planning, the government has provided three year provisional indicators of the principal allocations. This approach has been continued to a degree with regard to the Transport, and the Personal Social Services allocation.
14. Allocations for Neighbourhoods capital investment are not available so indicative allocations have been used for the purpose of this report, with any amendments to be reported in the future.
15. Strategy for the allocation of capital finance has been to earmark Government allocations to be used for the services for which they have been allocated.
16. Capital commitments brought forward depend on the achievement of significant 'non-earmarked' funding including £20m capital receipts and other 'at risk' funding of £2.9m which includes donations, S106 monies and contingency to finance other funding expected but not received.
17. The following allocations have been received from government (note some remain provisional) along with non-earmarked funding.

<b>Department</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>(£000)</b>	<b>(£000)</b>
<b>Government Annual Allocations</b>		
<b>Education</b>		
New Places / Basic Need	9,360	19,137
Capital Maintenance	5,531	4,807
Devolved Formula Capital Grant	991	867
<b>Transport</b>		
Transport	3,307	3,527
Maintenance	3,689	3,479
<b>Housing</b>		
Major Repairs Allowance (MRA) 10/11 replaced by HRA Self Financing	20,250	28,847
Disabled Facilities Grant (Provisional)	1,080	1,080
Health Adult Social Care	1,063	1,087
<b>Total Government Annual Allocations</b>	<b>45,271</b>	<b>62,831</b>
<b>One Off Government Allocation</b>		
Education - New Places / Basic Need		18,328
<b>Internal Earmarked Funding</b>		
Capitalised Revenue	18,586	11,674
Capital Receipts HRA	2,790	2,790
Prudential Borrowing	6,231	9,926
<b>Non Earmarked Funding</b>		
Investing in Bristol's Future		50,000
<b>Total</b>	<b>72,878</b>	<b>155,549</b>

### **Annual Government Allocations**

18. The level of annual central government capital allocations of £62.8m (Provisional) for 2012/13 is higher than last year (£45.2m for 2011/12)

primarily due to additional resources for schools (£8.9m) and how the HRA will be financed (£8.8m) following the introduction of HRA self financing. Some allocations remain to be confirmed, consequently services have been delayed in prioritising available funding against specific schemes.

19. It is proposed that these resources are allocated to the services to which they relate, with the detailed programmes determined at service level.

### **Investing in Bristol's Future**

20. In the past the capital programme has been supplemented from internally generated resources, mainly capital receipts. This has allowed the city to invest substantial capital sums in education, cultural, residential and transport projects.
21. The success in maintaining a flow of funding from 'non-earmarked' sources has been interrupted by economic and property market receipt conditions which have reduced capital receipt expectations.
22. Receipts are fully committed, and the expectation of low future central government capital allocations along with weak projections for internally generated capital finance may challenge the delivery of our capital investment aspirations .
23. In view of this, the administration will make available £50m of resources (The Investing in Bristol's Future Package) over the medium term to address the lack of investment in priority areas to ensure the assets in these areas are enhanced to improve service delivery. It will also contribute additional new jobs. The areas of priority investment include Schools, Transport, Elderly Care, Environmental, and Health and Well being, with details below and these are included in the proposed capital programme (Appendix A and A1). These schemes will be funded by Prudential Borrowing, with the costs met from planned and agreed savings.

<b>Investing in Bristol's Future Package</b>	
	£m
Schools	20
Transport - Bus Rapid Transit	10
Transport - Minor Schemes (detailed in Appendix A)	6
Elderly Extra Care Schemes including £500k for Aids and Adaptations	6
Bristol East Pool	6
Hartcliffe Way Recycling Centre	2
<b>Total</b>	<b>50</b>

24. In proceeding with the future Capital Investment Programme the Council will continue to remain cautious and prudent.

25. Directorate capital programmes are set out in Appendix A, incorporating:

- Commitments from previous years (£66m);
- New earmarked resources (inclusive of government allocations) for 2012/13 (£106m);
- Additional resources (Investing in Bristol's Future Package) provided by the administration £50m.

26. The following paragraphs summarise the principal projects that the programme will deliver excluding those already identified from the Investing in Bristol's Future package:

## **27. Children & Young People Services**

As part of the Schools Organisation Strategy, the Primary School places Cabinet report was presented and approved by Cabinet on the 15<sup>th</sup> of December 2011. This identified how the latest additional award of £18m and existing and provisional future allocations are to be allocated to address the immediate / short term shortfall of Primary pupil places. The significant schemes that were approved are:

- May Park Primary – New Build (system Build / Modular) / Refurbishment
- Air Balloon Primary School - New Build (system Build / Modular )
- New provision of Primary Places in Redland, east of Whiteladies Road
- St Annes Infants and Junior School – Refurbishment / New Build (system Build / Modular )
- Begbrook Primary – New Build (system Build / Modular )
- Easton Cof E Primary School – Refurbishment
- The additional allocation of £20m from the Investing in Bristol's Future package will address any shortfalls in anticipated future allocations and assist with schemes over the medium term.

The Secretary of State for Education announced in the summer of 2011 a national fund to support works at schools with high levels of outstanding repairs and maintenance issues and where there is a requirement to provide additional school places. Applications have been made and decisions are awaited. The funding source in relation to the Secretary of State's announcement is privately financed and the Council and individual schools will require further details in relation to funding implications before any formal decisions are made.

Once a further announcement is made this will be reported and may be subject to a further cabinet report.

## **28. City Development**

- Investing in a low Carbon Future
  - Avonmouth Wind Turbines
  - Bristol North Pool / Library Project
  - Cycling City - the completion of infrastructure signing of routes together with progressing 20mph zones;
  - Greater Bristol Bus Network - implementation of enhanced bus stops and shelters and introducing measures to improve bus reliability and traffic flow along key corridors;
  - structural Highway Maintenance of carriageway and footways;
  - completion of the Libraries renewal programme, and the disabled access project at City Museum and Art Gallery;
  - Hengrove Park phase 1, completion of the serviced site to facilitate the Healthplex, hospital, Skills Academy and other developments;
- 
- In addition, Bristol City Council with neighbouring authorities have successfully bid to the department of Transport for three infrastructure transport schemes costing £196m financed from government grant (£114m) with the remaining funded from neighbouring authorities and third party contributions (£82m), inclusive of Bristol City Council contribution (£42m) .

The three schemes are:-

Bus Rapid Transit (BRT) Ashton Vale to Temple Meads (Bristol)  
(£50m)  
South Bristol Link (£44m)  
North Fringe to Hengrove BRT (Bristol) (£102m).

The approval of these schemes will be subject to a separate Cabinet report and are therefore not reflected within the proposed capital allocations.

## **29. Health and Adult Social Care**

- Investment in property and ICT to enhance the provision of Health and Adult Social Care for its service users.
- Investing in Bristol's Future package will provide £5.5m to be invested in Extra Care Housing Schemes. Detailed plans will emerge following the present Social care consultations and will be subject to a future Cabinet report in March 2012 .

## **30. Neighbourhoods (Housing Revenue Account and General Fund)**

- HRA investment of £42m (£43m in 2011/12) to maintain properties to the Bristol Homes Standard, progressing the prefab and precast concrete homes projects, provide disabled adaptations and build 12 new units.
- Private sector renewal and provision of new affordable homes;

- Parks - £3.5m
- Regeneration Lockleaze - £1m
- Crematoria - Mercury abatement works.

### 31. **Corporate Services**

- progressing the New Ways of Working project, on an invest to save basis will be the subject of a future report to Cabinet;
- other transformation programmes, subject to the approval of business cases.

### **Treasury Management Strategy 2012/13 - 2014/15**

32. The Council's Treasury Management policies require the annual updating of the Treasury Management Strategy.
33. Prudential indicator targets for borrowing and lending are approved annually by Council.
34. The Minimum Revenue Payment policy is approved annually by Council.
35. The Treasury Management Strategy sets out our borrowing and lending expectations over the medium term.
36. The Treasury Management Strategy 2012 -15 is attached as Appendix B. The strategy sets out the framework within which officers will deliver the borrowing and lending activity on behalf of the council. The strategy complies with the Councils Treasury Management Policy Statement and the CIPFA code of practice on Treasury Management.
37. The policy requires an annual strategy to be reported to the Council outlining the expected Treasury Management activity for the forthcoming 3 years and covers:
  - The Council's debt and investment projections - summarises borrowing expectations to fund capital expenditure, any maturing debt and to meet operational requirements. Gross debt is expected to remain constant at £380m during 2012/13 (£380m projection as at 31/3/12) and set to rise to £420m over the medium term (excluding the borrowing requirement for HRA self Financing (£48m) that is subject to parliament approval).
  - The expected movement in interest rates - Borrowing rates are expected to remain materially higher than the rates earned by the Council through the investment of its surplus cash so investments will be kept at a minimum;
  - The Council's borrowing strategy - rates are expected to remain low in the short term but are likely to be more volatile in the medium to long term. Subject to changes in market conditions it is intended not to undertake any



long term external borrowing during 2012/13, with cash balances used to temporarily fund the capital programme that will reduce the authority's levels of investment and subsequently reduce its counter-party risk. However, in the event that borrowing is deemed advantageous the authority will borrow over periods determined as most advantageous at the time;

- The Council's investment strategy - the primary objectives of the strategy are: the re-payment of the council's money, adequate access to funds and investment return. Investments will only be made with borrowers who are able meet our agreed and authorised selection criteria which includes, credit rating information, country and sector considerations and other supplementary information (Annex B1).

### **Prudential Indicators**

38. An important element of the Treasury Management framework is the setting of Prudential Indicator targets by Council. These are intended to set limits on:
- the extent of borrowing;
  - the extent of debt financing costs; and the Council's exposure to risk in relation to changes in interest rates.
39. Proposed targets for 2012-15 are attached as Appendix C. However, these may be altered to reflect changes or amendments to capital spend patterns and any revision in accounting requirements.

### **Minimum Revenue Payment**

40. Regulations have been published which allow authority's to agree, from a number of options, the minimum amount of their outstanding debt that must repaid from revenue each year. After consideration of these options, the following basis is proposed for the calculation of the Minimum Revenue Provision (MRP) for the repayment of debt:
- for capital expenditure incurred before 1 April 2008 and for future supported capital expenditure, the MRP will be based on the former DCLG regulations which is essentially 4% of general fund debt (there is no requirement to write down HRA debt);
  - for capital expenditure incurred after 1 April 2008 and financed by unsupported borrowing, the MRP will be based on the estimated lives of the assets.
  - This proposal maximises stability and minimises the increase in the MRP.

### **Fourth Capital Monitor 2011/12**

#### **Project and Programme Costs**

41. Spending on projects and programmes have been reviewed as at 21<sup>st</sup> of November and departments have agreed the spend profile. The revised programme is set out in Appendix W. This has been incorporated into the

42. In the majority of cases, projects are being delivered within approved allocations, but as mentioned in the Third Capital Monitoring Report (Cabinet 24<sup>th</sup> November 2011) the principal exception is the City Docks scheme.

- **City Docks** - All planned works have now been completed under the 3 phases of the Docks Investment Programme. The works at Netham identified additional urgent works that were prioritised as a necessity for inclusion in phase 3. These works were undertaken on the basis of the availability of a further Environmental Authority grant of £300k, with confirmation of this funding anticipated to be received early in 2012.

43. Additions and amendments to the 2011/12 programme are set out in Appendix X/Y.

### **Investment Framework 2012-15**

44. An Investment Framework is needed to show how the Council intends to manage new investment. It will also establish the framework for prioritising future investment.

45. In March 2010 BCC Cabinet approved a Delivery and Infrastructure Investment Plan (DIIP). This aimed to maximise investment from the Homes and Communities Agency (HCA), and included a number of housing, regeneration, and employment objectives. Reductions in the available funding from the HCA and a variety of new investment funding streams mean that a new approach needs to be taken to prioritise investment opportunities and identify other funding sources. The Investment Framework will replace the DIIP, but continue to reflect the objectives of the Core Strategy. The Framework also aligns with the strategic direction of the Local Enterprise Partnership.

46. The Investment Framework will support the commitment of resources, and identify funding or assets that are required to deliver them. It will be updated regularly as part of the Capital Programme. The Infrastructure and Delivery Board will be responsible for decisions relating to the prioritisation and funding of the projects in development.

47. The principle objectives of the Investment Framework are:

- To create quality places for people to work and live in, recognising Bristol's role at a sub-regional level;
- To accelerate investment and development in the city;
- To optimise the value of the Council's assets

48. The Projects within the Framework are capital projects in development, that do not currently appear in the Capital Programme, with a total project cost of £500,000 or above. The following areas are excluded from the Framework:

- Transformation projects or programmes;
- Projects that are self-funding (do not require a Council financial contribution);
- Non-capital schemes;
- Projects with a value of less than £0.5m;

The Framework is a rolling programme that will change as projects develop and new funding sources become available.

49. The Framework outlines recent funding initiatives and their constraints, so that their relationship with our projects can be understood (**Appendix D**). From this work a total of £4.3m has been identified as available funding for Financial Year 2012-3 (from the New Homes Bonus).
50. Projects have been evaluated by a team of officers using an Evaluation Matrix, which is included at **Appendix E**.
51. The list of evaluated priority projects is shown at Appendix F. This list will be updated as other projects in development come forward.
52. A number of projects have been put forward to receive support from the New Homes Bonus (NHB). The intention is to fund key regeneration projects for 2012-3. The projects are:
  - Empty Homes- An allocation of £300k towards funding CPO costs for empty homes in private ownership.
  - Carriage Works - An allocation of £675k towards funding the development of the project;
  - £500k of the NHB towards affordable housing units- £500k for 20 units (three projects selected- Wilder St, Masons Arms, Red Hart PH,) this will enable the Council to negotiate Social Rented units on these sites;
  - Contingency fund- The remaining NHB money is to be kept back for future allocation when the Investment Framework is updated later in the year;

### **Consultation and scrutiny input:**

- a. **Internal consultation**  
Directorate Finance Business Partners
- b. **External consultation**  
None

## **Risk management / assessment**

53. The principal risks associated with the capital programme are:

- overspending on projects or programmes. There are a number of major projects in the programme which depend on local discretionary resources, and prudent cost planning and good project management are required;
- failure to collect all resources expected to finance schemes leading to calls on other capital monies and/or revenue;
- failure to raise the necessary receipts. Progress against the receipts programme is monitored closely. As indicated above, the deterioration in property market conditions has had a substantial impact;
- failing to match resources to priorities. This risk is reduced by the development of Asset Management Plans. It should, however, be noted that the proposals for the use of non-earmarked funds still leave a number of investment needs unfunded.

54. The position in relation to the risk registers of major capital projects is regularly reported to the Cabinet as part of the quarterly capital programme management report.

55. Borrowing and lending activity is reported quarterly to the Executive Member for Corporate Services.

56. The principal risks associated with treasury management are:

- the risk of loss as a result of failure of counterparties

This is mitigated by limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties;

- the risk of loss as a result of borrowing at high rates of interest/lending at low rates of interest.

This is mitigated by planning and undertaking borrowing and lending in the light of advisers' assessments of future interest rate movements, and by undertaking most long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

## **Public sector equality duties:**

57. There are no proposals in this report which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

## **Environmental Checklist / eco impact assessment**

58. Not applicable.

**Resource and legal implications:**  
**Finance**

**a. Financial (revenue) implications:**

**Advice given by** Jon Clayton – Principal Accountant  
**Date** 06/01/2012

59. Capital Programme - The financing costs arising from planned borrowing are provided for in the draft revenue budget and medium term financial plan.

The annual debt financing costs of the Investing in Bristol's Future Package is estimated to be £0.84m in 2012/13, £2.1m in 2013/14, and £3.2m per annum thereafter.

The debt financing costs of prudentially borrowing £3.5m for Parks enhancements, £1m Regeneration of Lockleaze, and £380k to upgrade Jubilee Swimming pool is estimated to be £160k in 2012/13, and £290k per annum thereafter.

Any additional operating costs of the Investing in Bristol's Future schemes will be allocated through the MTFP process to the relevant department.

60. Treasury Strategy - The strategy is consistent with the 2012/13 revenue budget which provides for net capital financing costs of £14.9m. Financing costs will rise in subsequent years as a result of increasing net indebtedness, primarily relating to the capital programme.

**b. Financial (capital) implications:**

**Advice given by** Jon Clayton – Principal Accountant  
**Date** 06/01/2012

61. As set out in the report.

**c. Legal implications:**

**Advice given by** Colin Honnor – For Head of Legal Services  
**Date** 06/01/2012

62. The Council is under a duty to manage its financial affairs prudently. It should also be noted that this report only deals with the allocation and management of finances and not to the projects and other matters that they relate.

**c. Land / property implications:**

**Advice given by** Rod Taplin – Corporate Property Manager  
**Date** 06/01/2012

63. Investment in the property portfolio will enhance and maintain our stock to ensure sustainable application of the resource in delivering our services.

**d. Human resource implications:**

64. Not applicable

**Appendices:**

- A. Capital programme 2012-2015.
- A1 Investing in Bristol's Future package
- B. Treasury Strategy 2012-2015.
- C. Prudential Indicators and lending limits.
- D. Investment Framework - Summary
- E. Investment Framework- Project Evaluation Matrix
- F. Investment Framework-Priority Project List
- W. Capital Programme 2011/12
- X. Additions to the 2011/12 Capital Programme
- Y. Proposed virements to the 2011/12 Capital Programme

Access to information (background papers):

Relevant working papers in the Corporate Finance Team including:

- Background Papers:
- Government allocation letters
- Relevant working papers in the Finance Division.

**SUMMARY CAPITAL PROGRAMME 2012/13 AND LATER YEARS****Appendix A**

DEPARTMENT	<b><u>PROJECTED SPEND £'000</u></b>	<b><u>2012/13 £'000</u></b>	<b><u>2013/14 £'000</u></b>	<b><u>2014/15 £'000</u></b>
HEALTH & ADULT SOCIAL CARE	10,471	3,797	3,087	3,587
CHILDRENS SERVICES	117,650	64,596	24,909	28,145
NEIGHBOURHOODS - HRA	134,847	42,149	46,349	46,349
NEIGHBOURHOODS - GENERAL FUND	25,433	13,461	8,675	3,297
CITY DEVELOPMENT	80,270	39,621	20,850	19,799
CORPORATE SERVICES	2,418	1,618	400	400
<b>TOTAL PROGRAMME</b>	<b>371,089</b>	<b>165,242</b>	<b>104,271</b>	<b>101,577</b>

**Proposed financing of capital programme**

BORROWING	0	0	0	0
PRUDENTIAL BORROWING	29,098	20,685	5,913	2,500
PRUDENTIAL BORROWING - INVESTING IN BRISTOL'S FUTURE PACKAGE	50,000	14,950	17,900	17,150
GOVERNMENT GRANTS	125,028	68,052	27,706	29,270
OTHER GRANTS	1,916	1,888	28	0
CAPITAL RECEIPTS	20,131	14,306	2,962	2,863
REVENUE	56,201	15,750	20,134	20,317
HRA Self Financing	87,801	28,847	29,477	29,477
DEVELOPERS CONTRIBUTIONS	600	600	0	0
OTHER	314	164	150	0
<b>TOTAL</b>	<b>371,089</b>	<b>165,242</b>	<b>104,271</b>	<b>101,577</b>

# NEIGHBOURHOODS - GENERAL FUND

## Appendix A

<u>THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS</u>	<u>PROJECT COST</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
	£'000	£'000	£'000	£'000
<u>EARMARKED</u>				
<b><u>Committed Projects before 31.3.12</u></b>				
Mainstream & One-Off	2,662	2,484	178	
<b><u>New Projects - 2012/13 Starts</u></b>				
<u>Neighbourhoods - GF schemes</u>				
<u>Investing in Bristol's Future Package</u>				
Bristol East Pool	6,000	2,800	3,200	
Recycling Centre (Hartcliffe Way)	2,000	2,000		
Private Sector Renewal (DFG -Disabled Facilities Grant) Provisional	1,080	1,080		
Private Sector Renewal (Regional Capital Allocation)	725	725		
Enabling Receipts (HRA)	1,275	1,275		
Parks - New / Enhancements	3,500	1,500	2,000	
Regeneration Lockleaze	1,000	1,000		
Jubilee Upgrade	380	380		
Childrens Play	124	124		
Pathes & Fences	35	35		
Toilets	35	35		
Cems & Crems	23	23		
<b><u>Future Capital Project Aspirations</u></b>				
<b><u>2013/14 - 2014/15</u></b>				
<u>Neighbourhoods - GF schemes</u>				
Private Sector Renewal (DFG -Diasabled Facilities Grant)	2,160		1,080	1,080
Private Sector Renewal (Regional Capital Allocation)	1,450		725	725
Enabling Receipts (HRA)	2,550		1,275	1,275
Childrens Play	248		124	124
Pathes & Fences	70		35	35
Toilets	70		35	35
Cems & Crems	46		23	23
<b><u>TOTAL CAPITAL PROGRAMME</u></b>	<b>25,433</b>	<b>13,461</b>	<b>8,675</b>	<b>3,297</b>



# NEIGHBOURHOODS - GENERAL FUND

## Appendix A

<u>THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS</u>	<u>PROJECT</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
	<u>COST</u>			
<u>EARMARKED</u>	£'000	£'000	£'000	£'000
<b><u>FUNDING</u></b>				
<u>Committed projects before 31.3.12</u>				
Capital Fund & expected capital funding streams	2,662	2,484	178	
<u>New Projects - 2012/13</u>				
<u>Neighbourhoods - GF schemes - Source of funding</u>				
Investing in Bristol's Future Package	8,000	4,800	3,200	0
HRA - Enabling Receipts	2,000	2,000		
Disabled Facilities Grant	1,080	1,080		
Prudential Borrowing	4,880	2,880	2,000	
Capitalised Revenue	217	217		
<b><u>Future Funding Aspirations</u></b>				
<b><u>2013/14 - 2014/15</u></b>				
<u>Neighbourhoods - GF schemes - Source of funding</u>				
Capital Receipts (usable non-RTB)	4,000		2,000	2,000
Disabled Facilities Grant	2,160		1,080	1,080
Capitalised Revenue	434		217	217
<b><u>TOTAL FUNDING</u></b>	<b>25,433</b>	<b>13,461</b>	<b>8,675</b>	<b>3,297</b>

# NEIGHBOURHOODS - HRA

## Appendix A

<u>THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS</u>	<u>PROJECT COST</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
	£'000	£'000	£'000	£'000
<u>EARMARKED</u>				
<b><u>New Projects - 2012/13 Starts</u></b>				
<b>HRA - Investment in Stock</b>				
Planned Programmes	106,321	13,623	46,349	46,349
Investment in Blocks	14,972	14,972		
Capitalised Works	600	600		
Soft Investment	1,000	1,000		
Disabled Adaptations	2,638	2,638		
<b>HRA Other</b>				
Priority Stock	5,061	5,061		
Garage Strategy	500	500		
New Build	1,300	1,300		
Miscellaneous	799	799		
Project Management/Professional Charges	1,656	1,656		
<b><u>TOTAL CAPITAL PROGRAMME</u></b>	<b>134,847</b>	<b>42,149</b>	<b>46,349</b>	<b>46,349</b>
<b><u>FUNDING</u></b>				
<b><u>New Projects - 2012/13</u></b>				
Prudential Borrowing - PRC Rebuild Scheme	5,046	5,046		
Useable Capital Receipts - (RTB)	790	790		
Useable Capital Receipts - (Non RTB)	0	0		
HRA Self Financing	28,847	28,847		
Capital Expenditure from Revenue Accounts	7,466	7,466		
<b><u>Future Funding Aspirations</u></b>				
<b><u>2013/14 - 2014/15</u></b>				
Prudential Borrowing - PRC Rebuild Scheme	0			
Useable Capital Receipts - (RTB)	1,726		863	863
Useable Capital Receipts - Non RTB	0			
Useable Capital Receipts - Garage sales	0			
HRA Self Financing	58,954		29,477	29,477
Capital Expenditure from Revenue Accounts	32,018		16,009	16,009
<b><u>TOTAL FUNDING</u></b>	<b>134,847</b>	<b>42,149</b>	<b>46,349</b>	<b>46,349</b>

# CHILDREN, YOUNG PEOPLE & SKILLS (CYPS)

Appendix A

THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS	PROJECT COST	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
<b>EARMARKED</b>				
<b><u>Committed Projects before 31.3.12</u></b>				
Mainstream & One-Off	27,161	25,961	1,200	
<b><u>New Projects - 2012/13 per Cabinet 15th December 2012</u></b>				
<b>Ashley, Easton and Lawrence Hill Neighbourhood Partnership</b>				
EASTON C OF E PRIMARY SCHOOL	3,000	1,500	1,500	
COLSTON GIRL'S PRIMARY	250	250		
CABOT PRIMARY SCHOOL (Phase II)	1,500	1,500		
Old Fairfield Feasibility and Enabling Works	650	650		
<b>Bishopston, Cotham and Redland Neighbourhood Partnership</b>				
NEW PROVISION REDLAND (EAST OF WHITELADIES ROAD)	4,550	4,550		
<b>Brislington Community Partnership</b>				
WEST TOWN LANE PRIMARY SCHOOL PHASE II	1,900	1,000	900	
ST ANNES INFANT AND JUNIOR SCHOOL (WICKLEA SITE)	3,500	500	2,000	1,000
<b>Dundry View Neighbourhood Partnership</b>				
ST. PETER'S CHURCH OF ENGLAND PRIMARY SCHOOL	50	50		
FAIR FURLONG PRIMARY SCHOOL	10	10		
<b>Greater Bedminster Neighbourhood Partnership</b>				
COMPASS POINT: SOUTH ST. SCHOOL & CHILDRENS CENTRE	150	150		
ASHTON GATE PRIMARY SCHOOL (DURNFORD ROAD SITE)	1,422	1,422		
<b>Greater Fishponds Neighbourhood Partnership</b>				
MAY PARK PRIMARY SCHOOL	8,050	1,000	4,000	3,050
BEGBROOK PRIMARY SCHOOL	3,000	2,000	1,000	
OLDBURY COURT PRIMARY SCHOOL	250	250		
<b>Henbury and Southmead Neighbourhood Partnership</b>				
HENBURY COURT PRIMARY SCHOOL	250	250		
<b>Hengrove and Stockwood Neighbourhood Partnership</b>				
BRIDGE FARM PRIMARY SCHOOL	450	450		
BURNBUSH PRIMARY SCHOOL	350	350		
<b>Horfield and Lockleaze Neighbourhood Partnership</b>				
LOCKLEAZE PRIMARY SCHOOL & EARLY YEARS CENTRE	50	50		
FILTON AVENUE (AT ORCHARD)	1,900	1,900		
GLENFROME PRIMARY SCHOOL	2,290	1,290	1,000	
<b>St George East and West Neighbourhood Partnership</b>				
AIR BALLOON HILL PRIMARY SCHOOL	4,600	3,600	1,000	
TWO MILE HILL PRIMARY	450	450		
CHESTER PARK INFANTS & JUNIOR	350	350		
Land / Site Acquisitions	9,053	9,053		
Devolved Schools	867	867		
Risk Management / Contingency	313	193	60	60
Primary - New Pupil Places - Investing in Bristol's Future Package	20,000	5,000	6,000	9,000
<b><u>Future Capital Project Aspirations</u></b>				
2013/14	6,249		6,249	
2014/15	15,035			15,035
<b>TOTAL CAPITAL PROGRAMME</b>	<b>117,650</b>	<b>64,596</b>	<b>24,909</b>	<b>28,145</b>

# CHILDREN, YOUNG PEOPLE & SKILLS (CYPS)

## Appendix A

THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS	PROJECT COST	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
<b>EARMARKED</b>				
<b>FUNDING</b>				
<u>Committed projects before 31.3.12</u>				
Capital Fund & expected capital funding streams	28,761	27,561	1,200	
<i>Additional Basic Need Allocation awarded in 2011/12</i>	18,328	2,878	11,400	4,050
<u>New Projects - 2012/13</u>				
Borrowing Approvals (DCSF)				
- Basic Need	19,137	19,137		
- Capital Maint. Grant	4,807	4,807		
<b>FORWARD FUNDING PRE 12/13 CALLS</b>				
- Basic Need 13/14 to meet 12/13 allocations	4,286	4,286		
- Modernisation / Capital Maintenance	0			
- Primary Capital Prog Grant	0			
Investing in Bristol's Future Package	20,000	5,000	6,000	9,000
- Devolved Formula - Standards Fund Grant	867	867		
Revenue - ex-risk management	60	60		
<b><u>Future Funding Aspirations</u></b>				
<b>2013/14 - 2014/15</b>				
<i>Borrowing Approvals (DCSF)</i>				
- Basic Need	18,722		9,361	9,361
- Modernisation	9,614		4,807	4,807
<b>FORWARD FUNDING PRE 12/13 CALLS</b>				
- Basic Need	(7,536)		(7,536)	
- Modernisation / Capital Maintenance	(1,250)		(1,250)	
- Primary Capital Prog Grant	0			
<i>Risk Management</i>	120		60	60
<i>Devolved formula</i>	1,734		867	867
<b><u>TOTAL FUNDING</u></b>	117,650	64,596	24,909	28,145

# CITY DEVELOPMENT (CD)

## Appendix A

<u>THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS</u> <u>EARMARKED</u>	<u>PROJECT</u> <u>COST</u> £'000	<u>2012/13</u> £'000	<u>2013/14</u> £'000	<u>2014/15</u> £'000
<b><u>Committed Projects before 31.3.12</u></b>				
Mainstream & One-Off	31,858	24,984	4,012	2,862
<b><u>New Projects - 2012/13 Starts</u></b>				
<b>Major Schemes</b>				
Local Contribution to Rapid Transit	1,000	1,000		
<b>Public Transport Infrastructure</b>				
Bus Priority / Improvements	300	300		
Minor Schemes	109	109		
<b>Road Safety</b>				
Residents Parking Zones (subject to consultation)	1,500	1,500		
Devolved to Neighbourhood Partnerships for Minor Traffic Schemes	347	347		
City Wide 20mph	150	150		
Minor schemes	70	70		
<b>Smarter Travel Choices</b>				
Walking and Cycling Infrastructure	450	450		
Minor Schemes	227	227		
<b>Transport Asset Maintenance and Improvement</b>	3,719	3,719		
<b><u>Investing in Bristol's Future Package</u></b>				
Bus Rapid Transit	10,000		5,000	5,000
Transport - Minor Schemes				
Street Lighting white light conversion	1,000	500	500	
St James Barton (Bear Pit) pedestrian scheme	1,000	1,000		
Road repair and resurfacing	1,000	500	250	250
Bristol Metro and rail station re-opening scoping project	750	300	450	
Upgrade bus stops and smart ticketing capability	1,250	1,050	200	
Minor Works	1,000	300	300	400
Capitalised R & M (spend authorised by Corporate Property Services)	2,330	2,330		
Conservation/ E.I.P/ Engineering Design	280	280		
Asbestos remediation works	505	505		
 <b><u>Future Capital Project Aspirations</u></b> <b><u>2013/14 - 2014/15</u></b>				
Project Development & Implementation	9,054		3,860	5,194
Maintenance	6,141		3,163	2,978
Capitalised R & M (spend authorised by Corporate Property Services)	4,660		2,330	2,330
Conservation/ E.I.P/ Engineering Design	560		280	280
Asbestos remediation works	1,010		505	505
<b><u>TOTAL CAPITAL PROGRAMME</u></b>	<b>80,270</b>	<b>39,621</b>	<b>20,850</b>	<b>19,799</b>

# CITY DEVELOPMENT (CD)

## Appendix A

<u>THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS</u> <u>EARMARKED</u>	<u>PROJECT</u> <u>COST</u> £'000	<u>2012/13</u> £'000	<u>2013/14</u> £'000	<u>2014/15</u> £'000
<b>FUNDING</b>				
<u>Committed projects before 31.3.12</u>				
Capital Fund & expected capital funding streams	31,858	24,984	4,012	2,862
<b><u>New Projects - 2012/13</u></b>				
Grant - Integrated Transport	3,527	3,527		
Grant - Capital Maintenance	3,479	3,479		
Grant - LTSF	450	450		
Investing in Bristol's Future Package	16,000	3,650	6,700	5,650
Capitalised Revenue - Conservation + EIP + Eng. Design	280	280		
Capitalised Revenue - Transport - GROSS	829	829		
LESS Contribution to CPZ/RPZ/BLE & HHT (final contribution 2014/15)	(350)	(350)		
LESS Contribution to Bridge Valley (final contribution 2014/15)	(442)	(442)		
Revenue Contribution to Transport/Planning costs from Parking Income	379	379		
Capitalised R & M	2,330	2,330		
Revenue contribution to Asbestos works	505	505		
<b><u>Future Funding Aspirations</u></b> <b><u>2013/14 - 2014/15</u></b>				
Grant - Integrated Transport	8,487		3,527	4,960
Grant - Capital Maintenance	6,141		3,163	2,978
Capitalised Revenue - Conservation + EIP + Eng. Design	560		280	280
Capitalised Revenue - Transport - GROSS	1,658		829	829
LESS Contribution to CPZ/RPZ/BLE & HHT (final contribution 2014/15)	(700)		(350)	(350)
LESS Contribution to Bridge Valley (final contribution 2014/15)	(884)		(442)	(442)
Revenue Contribution to Transport/Planning costs from Parking Income	493		296	197
Capitalised R & M	4,660		2,330	2,330
Revenue contribution to Asbestos works	1,010		505	505
<b><u>TOTAL FUNDING</u></b>	<b>80,270</b>	<b>39,621</b>	<b>20,850</b>	<b>19,799</b>
<i>Major Infrastructure Transport Schemes subject to a future Cabinet report</i>				
<i>Bristol City Council lead authority</i>				
Ashton Vale to Temple Meads (£50m) - BCC contribution £12m	49,900		22,900	27,000
<i>Neighbouring Authorities lead authority</i>				
South Bristol Link (£44.6m) - BCC contribution £9m	9,000			9,000
North Fringe to Hengrove (£101.83m) - BCC contribution £21m	21,000			21,000

THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS	PROJECT COST	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
<u>EARMARKED</u>				
<b><u>Committed Projects before 31.3.12</u></b>				
Mainstream & One-Off	1,218	1,218		
<b><u>New Projects - 2012/13 Starts</u></b>				
Listed Building Investment Strategy	200	200		
The Park - Business & Social Centre	100	100		
Property protection and securitisation	100	100		
 <b><u>Future Capital Project Aspirations</u></b>				
<b><u>2013/14 - 2014/15</u></b>				
Listed Building Investment Strategy	400		200	200
The Park - Business & Social Centre	200		100	100
Property protection and securitisation	200		100	100
 <b><u>TOTAL CAPITAL PROGRAMME</u></b>	<b>2,418</b>	<b>1,618</b>	<b>400</b>	<b>400</b>
<b><u>FUNDING</u></b>				
<b><u>Committed projects before 31.3.12</u></b>				
Capital Fund & expected capital funding streams	1,218	1,218		
<b><u>New Projects 2012/13</u></b>				
Capitalised Revenue - Listed Buildings	200	200		
Capitalised Revenue - The Park (Repairs & Refurb Prog.)	100	100		
Capitalised Revenue - Contingency allocation (Demolition, Security & H&S)	100	100		
 <b><u>Future Funding Aspirations</u></b>				
<b><u>2013/14 - 2014/15</u></b>				
Capitalised Revenue - Listed Buildings	400		200	200
Capitalised Revenue - The Park (Repairs & Refurb Prog.)	200		100	100
Capitalised Revenue - Contingency allocation (Demolition, Security & H&S)	200		100	100
 <b><u>TOTAL FUNDING</u></b>	<b>2,418</b>	<b>1,618</b>	<b>400</b>	<b>400</b>

# HEALTH & ADULT SOCIAL CARE (HSC)

## Appendix A

THREE YEAR CAPITAL PROGRAMME - 2012/13 ONWARDS	PROJECT COST	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
<b><u>EARMARKED</u></b>				
<b><u>Committed Projects before 31.3.12</u></b>				
Mainstream & One-Off	1,210	1,210		
<b><u>New Projects - 2012/13 Starts</u></b>				
Investing in Bristol's Future Package				
<i>Aids &amp; Adaptations</i>	500	500		
<i>Elderly Extra Care Scheme PPP</i>	5,500	1,000	2,000	2,500
<b><u>Main Capital programme -</u></b>				
Care Home Standards	105	105		
Disability Access	21	21		
H&S Projects	537	537		
Investment in Mental Health Services	190	190		
Office Refurbishment	16	16		
Minor works	56	56		
Investment in Community Based Services	162	162		
<b><u>Future Capital Project Aspirations</u></b>				
<b><u>2013/14 - 2014/15</u></b>				
<i>Capital works</i>	2,174		1,087	1,087
<b><u>TOTAL CAPITAL PROGRAMME</u></b>	10,471	3,797	3,087	3,587
<b><u>FUNDING</u></b>				
Committed projects before 31.3.12				
Capital Fund & expected capital funding streams	1,210	1,210		
<b><u>New Projects - 2012/13</u></b>				
Capital Grant - Personal Social Services (Provisional)	1,087	1,087		
Investing in Bristol's Future Package	6,000	1,500	2,000	2,500
<b><u>Future Funding Aspirations</u></b>				
<b><u>2013/14 - 2014/15</u></b>				
<i>Capital Grant - Personal Social Services</i>	2,174		1,087	1,087
<b><u>TOTAL FUNDING</u></b>	10,471	3,797	3,087	3,587



## Investing in Bristol's Future Package

## Appendix A1

	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
<i>Street lighting white light conversion</i>	0.50	0.50		<b>1.00</b>
<i>St James Barton (Bear Pit) pedestrian scheme</i>	1.00			<b>1.00</b>
<i>Road repair and resurfacing</i>	0.50	0.25	0.25	<b>1.00</b>
<i>Bristol Metro and rail station re-opening scoping project</i>	0.30	0.45		<b>0.75</b>
<i>Upgrade bus stops and smart ticketing capability</i>	1.05	0.20		<b>1.25</b>
<i>Minor Works</i>	0.30	0.30	0.40	<b>1.00</b>
<i>Bus Rapid Transit</i>		5.00	5.00	<b>10.00</b>
<b>Transport Total</b>	<b>3.65</b>	<b>6.70</b>	<b>5.65</b>	<b>16.00</b>
<i>Aids &amp; Adaptations</i>	0.50			0.50
<i>Elderly Extra Care Scheme (Incl. PPP)</i>	1.00	2.00	2.50	5.50
<b>Health &amp; Social Care Total</b>	<b>1.50</b>	<b>2.00</b>	<b>2.50</b>	<b>6.00</b>
<i>Recycling Centre (Hartcliffe Way)</i>		2.00		<b>2.00</b>
<i>Bristol East Pool</i>	2.80	3.20		<b>6.00</b>
<b>Schools</b>	<b>5.00</b>	<b>6.00</b>	<b>9.00</b>	<b>20.00</b>
<b>Total</b>	<b>12.95</b>	<b>19.90</b>	<b>17.15</b>	<b>50.00</b>
<b>Annual Repayment of Prudential Borrowing</b>	<b>0.84</b>	<b>2.10</b>	<b>3.20</b>	

**Treasury Management Strategy 2012/13 – 2014/15**

1. The treasury management service is an important part of the overall financial management of the Council's affairs. Treasury Management is defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”

2. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, reflecting the outcome of the Council's underlying capital appraisal systems. The prudential indicators in Appendix C and C1 consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under Section 33 of the Local Government Finance Act 1992. Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

3. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council has previously adopted the Code of Practice on Treasury Management and the adoption meets the requirements of the first of the treasury management prudential indicators.

4. As a result of adopting the Code the Council also adopted a Treasury Management Policy Statement. This adoption is the requirements of one of the prudential indicators. The revised Code of Practice was issued in November 2011.

5. The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year. A mid-year monitoring report is also produced and reported to Cabinet to outline the half year performance and any changes to the approved strategy..

6. This strategy covers:

- The Council's debt and investment projections;
- The Council's estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Council's borrowing and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities;
- Any local treasury issues.
- Summary of risk management procedure

- Member reporting
- Ethical investment policy
- Icelandic Banks
- HRA Self Financing

### Debt and Investment Projections 2012/13– 2014/15

7. The borrowing requirement comprises the expected movement in the CFR and any maturing debt, which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. The expected maximum debt position during each year represents the Operational Boundary prudential indicator, and so may be different from the year-end position. The table also highlights the expected change in investment balances.

	2011/12 Revised £m	2012/13 Estimated £m	2013/14 Estimated £m	2014/15 Estimated £m
<b>External Debt</b>				
Debt at 1 April	360	380	380	390
Debt maturing	-	-	(10)	-
New long-term debt	20	-	20	30
<b>Gross Debt at 31 March</b>	<b>380</b>	<b>380</b>	<b>390</b>	<b>420</b>
Other Long-term Liabilities	152	146	142	137
<b>Total Debt</b>	<b>532</b>	<b>526</b>	<b>532</b>	<b>557</b>
<b>Investments</b>				
Total Investments at 31 March	(90)	(60)	(36)	(33)
<b>Net Debt*</b>	<b>442</b>	<b>466</b>	<b>496</b>	<b>524</b>

\*As per September 2011 Capital Finance Budget Forecast- excludes HRA Self Financing.

8. The Council is not expected to take any new long-term borrowing during 2012/13 as capital expenditure will be met with existing investment balances. This will also enable the Council to reduce its counterparty risk.

9. The expected change in debt is the difference in debt repaid during the year and additional new debt added to the current debt portfolio.

10. Future years borrowing requirements have been built into the forecast. The related impact of the above movements on the revenue budget are:

	2011/12 Revised £m	2012/13 Estimated £m	2013/14 Estimated £m	2014/15 Estimated £m
<b>Revenue Budgets*</b>				
Interest on Borrowing	18	20	21	22
Related HRA Charge	(8)	(8)	(9)	(9)
Other Activities	4	5	5	6
Net General Fund Borrowing Cost	14	15	14	15
Investment income	(2)	(1)	(1)	(2)
<b>Net Forecast Position</b>	<b>12</b>	<b>16</b>	<b>16</b>	<b>17</b>

\*As per September 2011 Capital Finance Budget Forecast

11. The HRA debt charge in the above table is based on the Item 8 debit determination methodology. As of 1<sup>st</sup> April 2012, the Item 8 methodology will be replaced with the HRA Self Finance system, subject to the Localism Bill being passed by Parliament. Under the HRA Self Finance system, the HRA debt charges will be as per the table below. Debt charges have been calculated according a CFR split of 53% to HRA (47% to General Fund):

	2011/12 Revised £m	2012/13 Estimated £m	2013/14 Estimated £m	2014/15 Estimated £m
<b>HRA Debt Charge on Existing Debt</b>				
As per Item 8 Determination	(8)	(8)	(9)	(9)
As per Self Finance	-	(9)	(10)	(10)

### Limits to Borrowing Activity

12. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits

13. The Operational Boundary- This is the limit beyond which external borrowing is not normally expected to exceed.

<b>Operational Boundary</b>	2011/12 Revised £m	2012/13 Estimated £m	2013/14 Estimated £m	2014/15 Estimated £m
Gross Borrowing	<b>380</b>	<b>380</b>	<b>390</b>	<b>420</b>
Other long term liabilities	152	146	142	137
<b>Total Borrowing</b>	<b>532</b>	<b>526</b>	<b>532</b>	<b>557</b>

14. The Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding

year plus the estimates of any additional CFR for 2012/13 and the following two financial years (the relevant comparative figures are highlighted). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

	<b>2011/12 Revised £m</b>	<b>2012/13 Estimated £m</b>	<b>2013/14 Estimated £m</b>	<b>2014/15 Estimated £m</b>
Gross Borrowing	<b>380</b>	<b>380</b>	<b>390</b>	<b>420</b>
Other long term liabilities	152	146	142	137
<b>Total Borrowing</b>	<b>532</b>	<b>526</b>	<b>532</b>	<b>557</b>
Investments	(90)	(60)	(36)	(33)
<b>Net Borrowing</b>	<b>442</b>	<b>466</b>	<b>496</b>	<b>524</b>
CFR (excluding HRA SF)	638	651	669	679
HRA SF Settlement*	48	48	48	48
CFR (including HRA SF)	686	699	717	727

\*Indicative settlement as at 22<sup>nd</sup> November 2011

15. The Service Director-Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

**16. The Authorised Limit for External Debt** – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

17. The Authorised Limit is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

18. The Council is asked to approve the following Authorised Limit:

<b>Authorised Limit (Excluding HRA SF)</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimated £m</b>	<b>2013/14 Estimated £m</b>	<b>2014/15 Estimated £m</b>
Borrowing	670	685	703	720

## **Expected Movement in Interest Rates & Economic Commentary**

### **Medium-Term Rate Estimates**

	Now	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.25	2.50
3 month LIBID	0.87	0.70	0.70	0.70	0.70	0.70	0.75	0.80	0.90	1.20	1.40	1.60	2.10	2.40	2.60
6 month LIBID	1.16	1.00	1.00	1.00	1.00	1.00	1.10	1.20	1.40	1.60	1.80	2.00	2.50	2.70	2.90
12 month LIBID	1.65	1.50	1.50	1.50	1.50	1.50	1.70	1.80	1.90	2.20	2.40	2.60	3.10	3.20	3.30
5 yr PWLB	2.25	2.30	2.30	2.30	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.10	3.30	3.50	3.70
10 yr PWLB	3.33	3.30	3.30	3.30	3.40	3.40	3.50	3.60	3.70	3.80	4.00	4.20	4.40	4.60	4.80
25 yr PWLB	4.24	4.20	4.20	4.20	4.30	4.30	4.40	4.50	4.60	4.70	4.80	4.90	5.00	5.10	5.20
50 yr PWLB	4.26	4.30	4.30	4.30	4.40	4.40	4.50	4.60	4.70	4.70	4.90	5.00	5.10	5.20	5.30

\* Borrowing Rates at 22 November 2011

19. The outlook for the global economy remains clouded with uncertainty with the UK economy struggling to generate sustained recovery that offers any optimism for the outlooks for 2011 and 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment, it is not easy to see potential for a significant increase in the growth rate in the short term.

20. At the centre of much of the uncertainty is the ongoing Eurozone sovereign debt crisis, which has intensified, rather than dissipated throughout 2011. Ireland, Portugal and Greece have all required assistance from the Eurozone members and the IMF in the form of a bailout package. In the case of the latter there is concern around Greece's ability to reform its economy, thus the risk of a default on its liabilities. There is also growing concern about the situation in Italy and its ability to repay its liabilities given the poor rate of economic growth in over the last decade and the lack of political will to address the need for fundamental reform in the country, although this is now being addressed by a change in political leadership and a technocrat cabinet. It is likely that some form of financial assistance may come in the near future.

21. The US economy- with the next Presidential elections due in November 2012, the current administration has been hamstrung by political gridlock with the two houses split between the main parties. High levels of consumer indebtedness, unemployment, and a moribund housing market are weighing heavily on consumer confidence and so on the ability to generate sustained economic growth.

22. The UK Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, have yet to fully impact on the economy. However, coming at a time when economic growth has virtually flatlined and concerns at the risk of a technical recession (two quarters of negative growth) in 2012, it looks likely that the private sector will not make up for the negative impact of these austerity measures given the lack of an export led recovery due to the downturn in our major trading partner – the EU. The housing market, a gauge of consumer confidence, remains weak and the outlook is for house prices to be little changed for a prolonged period.

23. GDP growth has flatlined since the election of 2010 and, worryingly, the economic forecasts for 2011 and 2012 have been revised lower on a near quarterly basis as the UK recovery has, effectively, stalled. With fears of a potential return to recession the Bank of England embarked on a second round of Quantitative Easing to stimulate economic activity. With the impact of the Government's austerity strategy impacting the trend for 2011 of steadily increasing unemployment, there are limited prospects for any improvement in 2012 given the deterioration of growth prospects.

24. For the last two years, the MPC's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with CPI inflation standing at 5.2% at the start of quarter 4 2011. They remain of the view that the rate will fall back to, or below, the 2% target level within the two-year horizon.

25. The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy at deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome. This credit position has ensured that the UK government is able to fund itself at historically low levels and with the safe haven status from Eurozone debt also drawing in external investment the pressure on rates has been down, and looks set to remain so for some time.

26. Economic forecasting remains troublesome with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011. Key areas of uncertainty include:

- a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that increasingly seem likely to be undershot;
- a continuation of high levels of inflation ;
- the economic performance of the UK's trading partners, in particular the EU and US, with some analysts suggesting that recession could return to both;
- stimulus packages failing to stimulate growth;
- elections due in the US, Germany and France in 2012 or 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.

27. The overall balance of risks remains weighted to the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand, which will bring the threat of recession back into focus.

28. The longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. Given the weak outlook for economic growth, the

prospects for any interest rate changes before mid-2013 is very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

### **Borrowing Strategy 2012/13 – 2014/15**

29. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing excluding the HRA reform settlement.

30. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a balanced risk approach to its treasury strategy.

31. Long-term fixed interest rates are at risk of being higher over the medium term, and short term rates are expected to rise, although more modestly. The Service Director-Finance, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

32. With the likelihood of long term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Service Director-Finance and treasury consultants will monitor prevailing rates for any opportunities during the year.

33. Following the PWLB rate increase in October's 2010 Comprehensive Spending Review, PWLB rates continue to remain 1% over Gilt yields in comparison to the past. This will make PWLB debt rescheduling more problematic in the future.

34. Although the option of postponing borrowing and running down investment balances strategy has been applied throughout 2011/12, this approach will continue to be applied in future years. It is anticipated that funding from the PWLB will be in the form of short-term loans (1-10 years) that coincide with the Council's current debt maturity profile. Nonetheless, alternative maturity durations in excess of ten years will also be considered where there is value to the Council. In the event that investment balances would rise in the future due to, for example, unforeseen grants then any form of borrowing will be postponed. This would reduce counterparty risk and hedge against the expected fall in investments returns.

35. The Councils borrowing strategy will give consideration to new borrowing in the following ways:

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking market loans at long term rates which will be higher in future years.
- PWLB loans for up to 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of



options for new borrowing, which will spread debt maturities away from a concentration in longer dated debt.

- PWLB loans in excess of 10 years where rates are considered to be low and offer the Council the opportunity to lock into low value long-term finance.
- Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
- Rates are expected to gradually increase during the year so it should therefore be advantageous to time new borrowing for the start of the year.

36. It is expected that no borrowing will be undertaken in 2012/13. Cash balances will be used to temporarily fund the Capital Programme, that will reduce the council's levels of investment and subsequently reduce its counter party-risk. However, in the event that borrowing is deemed advantageous in 2012/13 then the Council will seek to borrow long-term loans below a target rate of 5.00% and short-term- medium-term loans below a target rate of 3.00%.

**37. Temporary Borrowing-** The Council will seek to undertake temporary borrowing (less than one year) loans to cover day-to-day cashflow requirements as and when required. Such a decision will be based on the availability of and access to cash in deposit accounts and money market funds to cover the cashflow requirement, as well as the difference in the interest rate for the temporary loan and cash held in money market funds and deposit accounts. For efficient cash management a temporary loan would be favoured where the cost of temporary borrowing is cheaper than withdrawing cash from high interest earning deposit accounts or money market funds.

38. Temporary borrowing will also be considered when the draw down deadline for a deposit account for same day transfer has passed, thus resulting in borrowing cash from the money markets.

39. The Service Director- Finance will be kept informed of the temporary loans outstanding at the monthly Treasury Management Group meeting. An interim temporary loans strategy will also be agreed on a monthly basis with the Service Director- Finance.

**40. Policy on borrowing in advance of need-** The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

41. In determining whether borrowing will be undertaken in advance of need the Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need;

- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- Consider the merits and demerits of alternative forms of funding;
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- Consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

42. Borrowing in advance will be made within the constraints that:

- It will be limited to no more than the total gross borrowing available as forecasted by the latest Capital Financing Budget. The current total gross borrowing available for 2011/12 is £58m (as reported in September 2011 Capital Finance Budget).

43. Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the quarterly Executive Member reporting and the mid-year or Annual reporting mechanism.

44. **Debt Rescheduling-** The widening of the difference between new borrowing and repayment rates has meant that PWLB to PWLB debt restructuring is now much less attractive than it was historically.

45. In particular, consideration would have to be given to the large premiums that would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

46. As short term borrowing rates will be considerably cheaper than longer-term rates, there may be potential for some residual opportunities to generate savings by switching from long-term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

47. The reasons for any rescheduling to take place will include: -

- The generation of cash savings and / or discounted cash flow savings;
- Helping to fulfil the strategy outlined above;
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

48. Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt

prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

49. All rescheduling will be reported to the Leader of the Council and the Assistant Cabinet Member for Financial Management, Resources Scrutiny Committee, and Cabinet at the earliest meeting following its action.

### **Borrowing for HRA Self Financing Purposes**

50. The Localism Bill received Royal Assent on the 15th of November 2011 and subject to the passing of the Bill by Parliament, a self-financing system is to be introduced for the HRA. If the bill is agreed as expected the new arrangements will apply from the following financial year.

51. The aim of the reforms is to give local authorities the resources, incentives, and flexibility to manage their housing stock efficiently and effectively. Tenants will also be able to hold their landlord accountable with respect to levels of rent collected and services the tenant has received.

52. At present the Authority makes a subsidy payment to Central Government but under the new proposal the Authority will be required to buy itself out of the subsidy system by making a one off payment to the Department for Communities and Local Government (DCLG) of £48m on the 28<sup>th</sup> March 2012. Therefore separate borrowing solely for this purpose is anticipated.

53. The PWLB are providing loans at interest rates 0.85-0.89% lower than the usual PWLB interest rates solely for the settlement requirements that can be applied for on the 26<sup>th</sup> March 2012. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is currently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council. The HRA has been set a maximum ceiling limit of £258m, which will form the new capital financing requirement limit for HRA capital expenditure.

54. Any decisions will be reported to the appropriate decision making body at the next available opportunity. The impact on prudential indicators is discussed later in this report.

### **Investment Strategy 2012/13 – 2014/15**

**55. Investment Policy-** The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

56. The Council's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following the economic background above, the current investment climate has one over-riding risk consideration that of counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy, which tightens the controls already in place in the approved investment strategy.

**57. Current Strategy 2011/12-** The current strategy is to postpone additional new borrowings and fund the existing capital programme by using surplus investment balances. This would enable the Council to reduce its investment cash balances and thus reduce counterparty risk exposure. Furthermore, the current investment strategy is to invest deposits with UK financial institutions that meet the Councils credit rating criteria as well as those institutions that have been part/semi/fully nationalised by the UK Government.

**58. Interest Rate Outlook-** Bank Rate has been unchanged at 0.50% since March 2009. Bank Rate is forecast to commence rising over the medium term. Bank Rate forecasts for financial year ends (March) are as follows:

- 2011/ 2012 0.50%
- 2012/ 2013 0.50%
- 2013/ 2014 1.25%
- 2014/ 2015 2.50%

59. There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected, therefore resulting in the Bank Rate to remain static at 0.50% for longer than forecasted.

60. The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this council.

61. The suggested budget for investment returns on investments placed for up to three months during each financial year is as follows (as per September 2011 Capital Financing Budget):

- |           |       |
|-----------|-------|
| • 2011/12 | 0.50% |
| • 2012/13 | 0.50% |
| • 2013/14 | 1.00% |
| • 2014/15 | 2.25% |

62. For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, Notice accounts, money market funds and short-dated fixed term deposits in order to benefit from the compounding of interest.

**63. Risk Benchmarking** – These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the quarterly Executive Member report and the Mid-Year or Annual Report.

64. The Security, Liquidity, Yield (SLY) benchmarking will be modelled on a quarterly basis and reported through the treasury management quarterly monitors and the Executive Member report.

65. Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.00% (AAA rated) to 0.08% (A rated) historic risk of default when compared to the whole portfolio. This would reflect the Council's counterparty credit rating criteria.

66. Liquidity – In respect of this area the Council seeks to maintain:

- Bank overdraft - £5m
- Liquid short-term deposits of at least £40m available with a week's notice.
- Weighted Average Life benchmark is expected to be a minimum of a day with a maximum of 1 year.

67. Yield - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

68. And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum Credit Risk	0.08%	0.22%	0.37%	0.52%	0.70%

*Source: Fitch, Moodys & S+P 20-30 year averages cumulative default rates/ Sector- December 2011*

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

69. Whilst the SLY benchmarking serves as an internal measure of performance against benchmarking targets set (as above), the current early warning and reporting system is:

- Security- Lowest common denominator approach to the management of counterparties; removal of counterparties if credit ratings deteriorate.
- Liquidity- 3 year cashflow forecasts that are maintained on a daily basis; instant access deposit accounts that hold cash balances to support daily cashflow requirements; short-term fixed deposit investments that seek to maintain cashflow requirements greater than 1 month.
- Yield- return on investments greater than or equal to the 7 day LIBID rate.

70. The current practice is to report the above via the quarterly Executive member report. Any breach in the security of the investment is reported immediately to the Service Director-Finance, Internal Audit and the Executive Member.

**71. Investment Counterparty Selection Criteria** - The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

72. The Service Director-Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it provides an overall pool of counterparties considered high quality the Council may use rather than defining what its investments are.

73. The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

74. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions and the applicable action taken by the treasury management team.

75. The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- **Banks 1 - Good Credit Quality** – the Council will only use banks which:
  - i. Are UK banks;
  - ii. Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AA
  - iii. The Executive Member has approved the inclusion of, which were previously eliminated by the Lowest Common Denominator methodology (i.e. adding institutions back onto the lending list)

And have, as a minimum, the following Fitch (or equivalent Moody's and Standard and Poors) credit ratings (where rated):

- i. **Short Term** – *F1 (or equivalent)*
- ii. **Long Term** – *A (or equivalent)*
- iii. **Individual / Financial Strength** – *B/C Fitch / Moody's only*

iv. **Support** – 1/2/3 (Fitch only)

- **Banks 2 – Part nationalised UK banks** – Lloyds Bank and Royal Bank of Scotland (including subsidiaries). These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- **Banks 3 – The Council's own banker-** for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Bank Subsidiary and Treasury Operations** – The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- **Building Societies** – the Council will *use* all Societies which:
  - i. Meet the ratings for banks outlined above or
  - ii. Have assets in excess of £250m
- **Money Market Funds** – *AAA rated*
- **UK Government** (including gilts and the DMADF)
- **Local Authorities, Parish Councils etc**
- **Supranational institutions**
- **A limit of £30m will be applied to the use of Non-Specified investments**
- **Local Authority Mortgage Scheme-** Under this scheme the Council is required to place funds of £1m, with Lloyds TSB for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the Specified / Non-specified categories.

**76. Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- No more than 25% of the investment portfolio will be placed with any non-UK country at any time;
- Limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

**77. Use of additional information other than credit ratings** – Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps (CDS), negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

78. CDS prices will be monitored and taken into consideration when placing deposits. Any counterparty whose CDS price has exceeded 100 points will be reviewed and advice will be sought from the Council's treasury management advisors. CDS price movement can be influenced by market supply and demand since CDS are tradeable instruments. However, CDS prices are also a measure of the market's risk perception associated with a financial institution. Where findings suggest that the increase in the CDS price is a direct result of financial difficulty associated with the institution, then the Council will remove the counterparty from its lending list. The Council will also seek to recall any deposits invested, subject to full cost appraisal of terminating any agreements with the counterparty.

**79. Time and Monetary Limits applying to Investments** - The time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments). The table illustrates the long-term credit ratings:

	<b>Fitch (or equivalent)</b>	<b>Money Limit £m</b>	<b>Time Limit</b>
Upper Limit Category	AAA	£30m	12 Months
Middle Limit Category	AA-	£12m	12 Months
Lower Limit Category	A	£6m	9 Months
Other Institution Limits*	-	£30m	12 Months
Institutions Guaranteed by the UK Government **	-	£30m	12 Months

*\*The Other Institution Limit will be for other local authorities, the DMADF, Money Market Funds, and Gilt and Supranational investments. These are all considered high quality names.*

*\*\*This also includes financial institutions that have been part, semi or fully nationalised by the UK Government.*

80. The proposed criteria for Specified and Non-Specified investments are shown in Annex B1 for approval.

81. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

82. The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the longer-term investment limits.

**83. Economic Investment Considerations** - Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise over the medium term. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.



84. The criteria for choosing counterparties set out above provide a sound approach to investment in “normal” market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Service Director-Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly the time periods for investments will be restricted.

85. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

### Sensitivity to Interest Rate Movements

86. Future Council accounts will be required to disclose the impact of risks on the Council’s treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

	2012/13 Estimated + 1% £m	2012/13 Estimated £m	2012/13 Estimated - 1% £m
<b>Revenue Budgets*</b>			
Interest on Borrowing	20	20	20
Related HRA Charge	(8)	(8)	(8)
Other Activities	5	5	5
<b>Net General Fund Borrowing Cost</b>	<b>17</b>	<b>17</b>	<b>17</b>
Investment income	(2)	(1)	(1)
<b>Net Forecast Position (Surplus)/deficit</b>	<b>15</b>	<b>16</b>	<b>16</b>

\*As per September 2011 Capital Finance Budget Forecast

### Treasury Management Limits on Activity

87. There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure 30%– This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure 100%– Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

88. The Council is asked to approve the limits:

£m	2012/13	2013/14	2014/15
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	30%	30%	30%
<b>Maturity Structure of fixed interest rate borrowing 2012/13</b>			
		<b>Lower</b>	<b>Upper</b>
Under 12 months		0%	20%
12 months to 2 years		0%	20%
2 years to 5 years		0%	40%
5 years to 10 years		0%	40%
10 years and above		25%	100%
<b>Maximum principal sums invested &gt; 364 days</b>			
Principal sums invested > 364 days	£30m	£30m	£30m

### Performance Indicators

89. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing - average rate of interest compared to 25 year PWLB rate
- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

90. The results of these indicators will be reported in the Treasury Annual Report.

### **Treasury Management Advisers**

91. The Council uses Sector as its treasury management advisors. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing (ad hoc basis);
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;

92. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council.

93. The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

### **Member and Officer Training**

94. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council has addressed this important issue by:

- Organising a Member training session on the basics of treasury management.
- Offering treasury management staff to enrol on the Association of Corporate Treasurers and study for the Certificate in International Treasury Management - Public Finance. All members of the treasury management team have registered their interest to study for this qualification, which is fully supported by CIPFA.
- Widening training opportunities offered through the Council's treasury management advisors to include Internal Audit staff involved in auditing the treasury management function and the Executive Member with the responsibility for treasury management.

### **The Treasury Management Role Of The Section 151 Officer**

95. The Section 151 officer is responsible for:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

## Local Issues

96. **Summary of Risk Management Procedures in Operation-** the Council has adopted the Lowest Common Denominator (LCD) approach to its counterparty management. As a result the Council now uses all three credit rating agencies (Fitch, Moodys and Standard and Poors). Due to the strict criteria of the LCD approach manual additions were made in previous years in order to increase the number of counterparties that were available to the Council.

97. The Council has and will continue to act upon rating watches that signal imminent or future rating changes. These notifications are issued automatically by the Council's treasury management advisors upon a credit rate change.

98. The Council has adopted the use of Credit Default Swap (CDS) prices and has incorporated such information into its lending list. The information is made available on its treasury management advisor's website on a daily basis. Due to the fact that CDS are tradeable derivative instruments, caution should be used when interpreting the prices as these can be influenced by the supply and demand of market participants.

99. Good practice, knowledge, experience and information are shared with the Core Cities Treasury Management Group, as well as with the Ex-Avon Authorities Treasury Management Group. Both Groups meet on a quarterly and semi-annually basis respectively.

100. **Member & Council Reporting-** Capital Finance currently reports treasury management activity on a quarterly basis to the Executive Member for Corporate Services.

101. The Treasury Management Code of Practice currently requires the Council to report to its members the following:

- Annual Strategy (including Investment Strategy)
- Mid year report
- Annual report
- Additional reporting (for scrutiny purposes)

- Treasury management indicators (previously included within the Prudential Code Indicators).

102. The Council will meet the requirements of the above reporting by implementing the table below:

Reports	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Annual Strategy	February 20XX			
Mid year report			November 20XX	
Annual Report (for previous financial year)			September 20XX	
Treasury Management Prudential Indicators	End of each quarter	End of each quarter	End of each quarter	End of each quarter
Treasury Management Monitor	End of each quarter	End of each quarter	End of each quarter	End of each quarter
Executive Member Brief/ Report	End of each quarter	End of each quarter	End of each quarter	End of each quarter

### **Nominated Scrutiny Committee For Treasury Management Decisions**

103. The organisation nominates Resources Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. The nominated scrutiny committee will be the Resources Scrutiny Committee.

### **Ethical Investment Policy**

104. The Ethical Investment Policy was approved by Cabinet on the 15<sup>th</sup> December 2011, and consideration will be given to this policy when making investment decisions.

### **Icelandic Banks**

105. The Icelandic courts have supported the view that the Council will be treated as a preferred creditor, thereby seeing a high proportion of the investment being returned. The actual repayment is currently expected to be partially in foreign currency assets. It is currently too early to provide a definitive policy on how this exchange rate risk will be managed, but the expectation will be that the risk will be managed proactively and assets converted to sterling at the earliest opportunity.

## HRA Self Financing

106. The Localism Bill received Royal Assent on the 15th of November 2011 and subject to the passing of the Bill by Parliament, a self-financing system is to be introduced for the HRA. If the Bill is agreed as expected the new arrangements will apply from the following financial year.

107. The aim of the reforms is to give local authorities the resources, incentives, and flexibility to manage their housing stock efficiently and effectively. Tenants will also be able to hold their landlord accountable with respect to levels of rent collected and services the tenant has received.

108. At present the Authority makes a subsidy payment to Central Government but under the new proposal the Authority will be required to buy itself out of the subsidy system by making a one off payment to the Department for Communities and Local Government (DCLG) of £48m on the 28<sup>th</sup> March 2012. Therefore separate borrowing solely for this purpose is anticipated.

109. As disclosed in the borrowing strategy above, the PWLB are providing loans at interest rates 0.85-0.89% lower than the usual PWLB interest rates solely for the settlement requirements. Subject to the passing of the Localism Bill by Parliament, the impact of the new borrowing on prudential indicators is set out below.

<b>Operational Boundary</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimated £m</b>	<b>2013/14 Estimated £m</b>	<b>2014/15 Estimated £m</b>
Gross Borrowing	<b>380</b>	<b>380</b>	<b>390</b>	<b>390</b>
Other long term liabilities	152	146	142	137
<b>Total Borrowing Before HRA SF</b>	<b>532</b>	<b>522</b>	<b>532</b>	<b>557</b>
HRA SF	48	48	48	48
<b>Total Borrowing</b>	<b>580</b>	<b>574</b>	<b>580</b>	<b>605</b>

<b>Authorised Limit</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimated £m</b>	<b>2013/14 Estimated £m</b>	<b>2014/15 Estimated £m</b>
Borrowing Before HRA SF	670	685	703	720
HRA SF	48	48	48	48
<b>Total Authorised Limit</b>	<b>718</b>	<b>733</b>	<b>751</b>	<b>768</b>

<b>Capital Financing Requirement (CFR)</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimated £m</b>	<b>2013/14 Estimated £m</b>	<b>2014/15 Estimated £m</b>
CFR Before HRA SF	638	651	669	679
HRA SF	48	48	48	48
<b>Total CFR Including HRA SF</b>	<b>686</b>	<b>699</b>	<b>717</b>	<b>727</b>
HRA CFR before Self Financing	199	199	199	199
HRA SF	48	48	48	48
<b>Revised HRA CFR After Self Financing</b>	<b>247</b>	<b>247</b>	<b>247</b>	<b>247</b>
<b>HRA CFR Upper Limit</b>	<b>258</b>	<b>258</b>	<b>258</b>	<b>258</b>

## **Treasury Management Practice (TMP) 1 (5) – Credit and Counterparty Risk Management**

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds, which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Service Director-Finance has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

**Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments, which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council, or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.



5. A body that is considered of a high credit quality (such as a bank or building society)

**Time and Monetary Limits applying to Investments** - The time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments). The table illustrates the long-term credit ratings:

	<b>Fitch (or equivalent)</b>	<b>Money Limit £m</b>	<b>Time Limit</b>
Upper Limit Category	AAA	£30m	12 Months
Middle Limit Category	AA-	£12m	12 Months
Lower Limit Category	A	£6m	9 Months
Other Institution Limits*	-	£30m	12 Months
Institutions Guaranteed by the UK Government **	-	£30m	12 Months

*\*The Other Institution Limit will be for other local authorities, the DMADF, Money Market Funds, and Gilt and Supranational investments. These are all considered high quality names.*

*\*\*This also includes financial institutions that have been part, semi or fully nationalised by the UK Government.*

**Non-Specified Investments** – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

	<b>Non Specified Investment Category</b>	<b>Limit</b>
a.	<p><b>Supranational Bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt-edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>AAA long term ratings</p> <p>£30m</p> <p>£30m</p>
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold</p>	£30m

	before maturity.	
c.	<b>The Council's own banker</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	
d.	<b>Building societies not meeting the basic security requirements under the specified investments.</b> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use building societies that meet its minimum lending criteria, or have a minimum asset size of £250m.	
e.	Any <b>bank or building society</b> that has a minimum long-term credit rating of A, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	
f.	Any <b>non-rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to: <ul style="list-style-type: none"> <li>▪ <i>Parent company guarantee</i></li> <li>▪ <i>Parent company to be a UK institution</i></li> </ul>	
g.	<b>Share capital or loan capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments	
h.	<b>Pooled property or bond funds</b> – The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.	

Within categories c, d and f, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies that will be invested in these bodies.

In respect of categories g and h, these will only be considered after obtaining external advice and subsequent Member approval.

**Local Authority Mortgage Scheme (LAMS)-** Under this scheme the Council is required to place funds of £1m, with Lloyds TSB bank for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the Specified / Non-specified categories.

**The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Sector as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any

counterparty failing to meet the criteria will be removed from the list immediately by the Service Director-Finance, and if required new counterparties which meet the criteria will be added to the list.

## Security, Liquidity and Yield Benchmarking

### Benchmarking and Monitoring Security, Liquidity, and Yield in the Investment Service -.

A key risk management tool is the use of security, liquidity and yield benchmarks. These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield – These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are

- Investments – Internal returns above the 7 day LIBID rate

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. However they have not previously been separately and explicitly set out for Member consideration. Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

Liquidity – This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives” (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - £5m
- Liquid short-term deposits of at least £40m available with a week’s notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be a minimum of 1 day, with a maximum of 1 year.

Security of the investments – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council’s investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2011.

<b>Years</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>AAA</b>	0.00%	0.01%	0.05%	0.10%	0.17%
<b>AA</b>	0.03%	0.06%	0.08%	0.14%	0.20%
<b>A</b>	0.08%	0.22%	0.37%	0.52%	0.70%
<b>BBB</b>	0.24%	0.68%	1.19%	1.79%	2.42%
<b>BB</b>	1.22%	3.24%	5.34%	7.31%	9.14%
<b>B</b>	4.06%	8.82%	12.72%	16.25%	19.16%
<b>CCC</b>	24.03%	31.91%	37.73%	41.54%	45.22%

The Council's minimum long term rating criteria is currently "A", meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.08% of the total investment (e.g. for a £1m investment the average loss would be £800). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- 0.00% (AAA rated) to 0.08% (A rated) historic risk of default when compared to the whole portfolio. This would reflect the Councils counterparty credit rating criteria.

And in addition that the security benchmark for each individual year is:

	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
Maximum Credit Risk	0.08%	0.22%	0.37%	0.52%	0.70%

*Source: Fitch, Moodys & S+P 20-30 year averages cumulative default rates/ Sector- December 2011*

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.

## **The Capital Prudential Indicators 2012-13– 2014/15**

### **Introduction**

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, reflecting the outcome of the Council's underlying capital appraisal systems. This report updates currently approved indicators and introduces new indicators for 2014/15.
2. Within this overall prudential framework there is an impact on the Council's treasury management activity – as it will directly impact on borrowing or investment activity. As a consequence the treasury management strategy for **2012-13–2014/15** is included as Appendix B to complement these indicators. Some of the prudential indicators are shown in the treasury management strategy to aid understanding.
3. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist member's overview and confirm capital expenditure plans.
4. A key issue facing the Council is the impact of planned HRA reform. This would essentially end the impact of the housing subsidy system and will see the HRA as a stand-alone business, without any impact arising from housing reform. The legislation has yet to be enacted, but the Council will need to approve revised limits in expectation of the reform going ahead.
5. The Council currently pays into the HRA housing subsidy system, and in order to stop future payments from 1 April 2012 the Council is required to pay the CLG £48m. This payment is effectively HRA debt, and so the prudential indicators have been adjusted to reflect this change. The actual payment will be made on the 28 March 2012 and so the indicators will take immediate effect from the approval of these limits by Council. The change is expected to be beneficial to the Council.

### **The Capital Expenditure Plans**

6. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure needs to have regard to:
  - Service objectives (e.g. strategic planning);
  - Stewardship of assets (e.g. asset management planning);
  - Value for money (e.g. option appraisal);
  - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
  - Affordability (e.g. implications for the council tax and rents);
  - Practicality (e.g. the achievability of the forward plan).

7. The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources.
8. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.
9. The key risks to the plans are that the level of Government support has been estimated and is therefore maybe subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to the poor condition of the property market.
10. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

<b>Capital Expenditure</b>	<b>2011/12 Original £m</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>
Non-HRA	100	88	123	58	56
HRA	43	33	42	46	46
<b>Total</b>	<b>143</b>	<b>121</b>	<b>165</b>	<b>104</b>	<b>102</b>
<b>Resourced by:</b>					
Borrowing	-	-	-	-	-
Unsupported borrowing	19	21	37	24	20
Government grants	76	70	68	28	30
Other grants	4	7	2	-	-
Capital receipts	18	6	13	3	3
Revenue	22	16	16	20	20
HRA Self Financing	-	-	29	29	29
Developer Contribution	3	1	1	-	-
Other	1	-	-	-	-
<b>Total Resources</b>	<b>143</b>	<b>121</b>	<b>165</b>	<b>104</b>	<b>102</b>

### **The Council's Borrowing Need (the Capital Financing Requirement)**

11. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.
12. Following accounting changes the CFR includes any other long-term liabilities (e.g. PFI schemes) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to

separately borrow for this scheme. The Council currently has £150m of such schemes within the CFR.

13. The Council is asked to approve the CFR projections below:

	<b>2011/12 Original £m</b>	<b>2011/12 Revised £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>
<b>Capital Financing Requirement</b>					
CFR – Non Housing	287	289	306	328	342
PFI	158	150	146	142	138
CFR- HRA (excluding HRA Self Financing)	202	199	199	199	199
<b>Total CFR</b>	<b>647</b>	<b>638</b>	<b>651</b>	<b>669</b>	<b>679</b>
<b>HRA Self Financing (HRA SF)</b>	-	48	48	48	48
<b>Total CFR (Including HRA SF)</b>	<b>647</b>	<b>686</b>	<b>699</b>	<b>717</b>	<b>727</b>

14. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP). No revenue charge is required for the HRA.

15. CLG Regulations have been issued which require full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

16. For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG Regulations

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.



17. From 1 April 2008 for all unsupported borrowing (including PFI and Finance Leases) the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction)

These options provide for a reduction in the borrowing need over approximately the asset's life.

18. No revenue charge is currently required for the HRA. However under HRA reform the HRA will be required to charge depreciation on its assets, which will have a revenue effect. In order to address any possible adverse impact, regulations will allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years.

### **Affordability Prudential Indicators**

19. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

20. **Actual and Estimates of the ratio of financing costs to 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.

	2011/12 Original £m	2011/12 Revised £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
Non-HRA	4.35%	5.03%	5.40%	5.36%	5.37%
HRA	7.56%	7.35%	7.51%	7.62%	7.26%

21. The estimates of financing costs include current commitments and the proposals in this budget report.

22. **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with **proposed changes** to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three-year period.

	2011/12 Original £	2011/12 Revised £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £
<b>Council Tax - Band D</b>	21.14	9.70	19.09	30.13	40.57

# APPENDIX C1

	Prudential Indicators	2011/12 Council Approved	2011/12 Estimate Outturn	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
1.	<b>Planned capital expenditure (£m)</b>					
1.1	• General fund	£100m	£88m	£123m	£58m	£56m
1.2	• HRA	<u>£43m</u>	<u>£33m</u>	<u>£42m</u>	<u>£46m</u>	<u>£46m</u>
		£143m	£121m	£165m	£104m	£102m
2.	<b>Capital financing requirement (£m) (taking account of new capital expenditure and the repayment of debt)</b>					
2.1	• General Fund	£287m	£289m	£306m	£328m	£342m
2.2	• PFI	£158m	£150m	£146m	£142m	£138m
	• HRA	<u>£202m</u>	<u>£199m</u>	<u>£199m</u>	<u>£199m</u>	<u>£199m</u>
		£647m	£638m	£651m	£669m	£679m
	• HRA Self Financing*		<u>£48m</u>	<u>£48m</u>	<u>£48m</u>	<u>£48m</u>
	Revised Total CFR (inclu HRA SF)	£647m	£686m	£699m	£717m	£727m
2.3	• HRA CFR (post HRA Self Financing)		£247m	£247m	£247m	£247m
	<i>Note that the general fund figure includes ex-Avon debt managed on behalf of other authorities (£59m as at 31/3/11), which may no longer be managed by BCC in the future.</i>					
	<i>* HRA Self Financing will apply if the Localism Bill is passed. Latest borrowing requirement is £48m.</i>					
	<b>Confirmation that total borrowing net of investments, does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years.</b>	Confirmed	Confirmed	Confirmed	Confirmed	Confirmed
3.	<b>Authorised limit for external debt (£m) (the maximum that the authority will borrow)</b>					
3.1	• Borrowing (Excludes HRA Self Financing)	£680m	£670m	£685m	£703m	£720m
	• Borrowing (Includes £48m HRA Self Financing)		£718m	£733m	£751m	£768m

## APPENDIX C1

4.	<b>Operational boundary for external debt (£m) (the anticipated level of borrowing)</b>					
4.1	• Borrowing (Excluding HRA Self Financing)	£542m	£532m	£526m	£532m	£557m
4.2	• Borrowing (Including £48m HRA Self Financing)		£580m	£574m	£580m	£605m
5.	<b>Financing costs as a percentage of net revenue stream %)- Excluding HRA Self Financing</b>					
5.1	• General Fund	4.35%	5.03%	5.40%	5.36%	5.37%
5.2	• HRA	7.56%	7.35%	7.51%	7.62%	7.26%
6.	<b>Affordability of 'unsupported' borrowing (£)</b>					
6.1	• Impact on the council tax	£21.14	£9.70	£19.09	£30.13	£40.57
6.1	• Impact on HRA rent	Nil	Nil	Nil	Nil	Nil
7.	<b>Exposure to changes in interest rates (%)</b>					
7.1	• Upper limit on (net) variable rate debt	30%	30%	30%	30%	30%
7.2	• Lower limit on (net) variable rate debt	0%	0%	0%	0%	0%
7.3	• Upper limit on (net) fixed rate debt	100%	100%	100%	100%	100%
7.4	• Lower limit on (net) fixed rate debt	70%	70%	70%	70%	70%
8.	<b>Maturity structure of borrowing (% Range)</b>					
8.1	• Less than 12 months	0-20%	0-20%	0-20%	0-20%	0-20%
8.2	• 1-2 years	0-20%	0-20%	0-20%	0-20%	0-20%
8.3	• 2-5 years	0-40%	0-40%	0-40%	0-40%	0-40%
8.4	• 5-10 years	0-40%	0-40%	0-40%	0-40%	0-40%
8.5	• Over 10 years	25-100%	25-100%	25-100%	25-100%	25-100%
9.	<b>Maximum principal sums invested &gt; 364 days</b>	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
10.	<b>The Local Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services</b>	YES	YES	YES	YES	YES

# Appendix D -INVESTMENT FRAMEWORK

## SUMMARY

### Objectives

1. An Investment Framework will support the delivery of the Bristol Development Framework Core Strategy.
2. It will create quality places for people to work and live in, recognising Bristol's role at a sub-regional level.
3. To accelerate investment and development in the city.
4. To optimise the value of the city council's assets.

### Policy Context

The Bristol Development Framework Core Strategy establishes the Council's strategic land use objectives for the city. These are supported by a number of supplementary plans and documents. The Investment Framework will support the delivery of these strategic policy objectives. In particular, the delivery of employment, housing, transport and key infrastructure.

In March 2010 BCC Cabinet approved a Delivery and Infrastructure Investment Plan (DIIP). This aimed to maximise investment from the Homes and Communities Agency (HCA) and included a number of housing, regeneration, and employment objectives. Reductions in the available funding from the HCA, and the emergence of a range of new investment streams, mean that a new approach needs to be taken to prioritise investment opportunities and identify wider funding sources. The Investment Framework will replace the DIIP. Projects within the Investment Plan that make up the DIIP list will continue to have an interface with the Housing and Communities Planning Board within the LEP.

The Framework also aligns with the strategic direction of the Local Enterprise Partnership (LEP), including the Temple Quarter Enterprise Zone.

The key strategic documents that support the Investment Framework are;

1. The Bristol Development Framework Core Strategy
2. Departmental service plans
3. Other strategic documents e.g. for Housing Strategy, Joint Local Transport Plan 3, Education and Leisure delivery

### Why do we need an Investment Plan?

The current situation regarding our plans and investment priorities now needs updating and developing for the following reasons:

- Significant changes to the policy and legislative context over the last 12 months, including the advent of the Local Enterprise Partnership;
- Substantial pressures on new and existing funding streams, with the risk of them not being effectively prioritised and project managed within the Council.
- Need for alignment of funding sources with projects to facilitate project and programme delivery (e.g. BRT schemes and the Enterprise Zone);
- Need to provide a catalyst for investment in the City by clarifying priorities to investors;
- Need to allocate resources to deliver our key priorities, and to decide what work we should stop or postpone.
- Provide information to support key decision makers, including officers and members who will be able to make more informed decisions.

#### **What does the Investment Framework look like?**

- It is a framework document that provides a rationale for investment decisions taking into account the full range of funding streams likely to come online;
- Through regular updating it will be flexible to adapt to rapidly changing circumstances and opportunities that may arrive at short notice;
- It covers projects where intervention is needed from the Council, where the Council either delivers or enables projects;
- It focuses on capital projects, with a project list linked to the annual capital investment programme; The intention is for it to complement the capital monitor and not replace it;
- It provides an interface with our corporate land policy and the future of HCA and Regional Development Agency assets. It is intended to complement the Councils existing Corporate Asset Management Plan (CAMP), which focuses on asset management, rather than replace it;
- The Framework outlines recent funding initiatives and their constraints, along with timeframes for their availability, so that we can understand their relationship with our projects (funds from BCC, other public bodies and the private sector).

## Exclusions (areas out of scope)

The Framework focuses on strategic projects and programmes, so does not cover all the projects the Council is working on. Therefore there are some areas that are not covered:

- BCC transformation projects or programmes;
- Projects where we consider that the projects are self funding and be delivered via the private sector, or projects which are self-funding (i.e. that do not require a Council financial contribution);
- Non-capital schemes
- Small or medium sized projects (i.e. with a value of less than £0.5m) unless these are related to Affordable Housing and already included in the existing DIIP Programme, or part of another programme.
- Internal services projects (e.g. new schools/libraries) not requiring additional funding outside the General Fund Capital Programme.

## Project Evaluation

The Framework includes information on a number of projects that the Council needs to deliver. These have been scored and prioritised using an Evaluation Matrix assessing projects against key criteria such as;

1. Strategic Importance
2. Deliverability (e.g. planning permission, risk assessment, funding position, overall affordability)
3. Value for Money
4. Anticipated benefits (for People, Projects, and Place)

## Funding Initiatives

The Investment Framework covers projects that are in development or at inception stage, which have a funding shortfall. It is not intended to replace the Capital Programme, but complements it, especially where projects are co-funded.

The Capital Programme is approved annual by Cabinet It is financed from government borrowing allocations, grants, and other resources earmarked for particular spending programmes (also from local discretionary resources such as revenue contributions, capital receipts, and Prudential Borrowing).

The table below is the latest position on the funding initiatives;

Funding initiative	Description and timeframes	Amount available
Community Infrastructure Levy (CIL)	The introduction of CIL would mean that we would no longer seek formula based contributions for transport, open space, libraries, education, community	No CIL is available before financial year 2013/14

	<p>facilities etc, through Section 106 Agreements. These would be covered by the CIL receipts</p> <p>The key benefit of CIL monies is that they are not ring-fenced for specific purposes (unlike Section 106) and can be spent on virtually anything that comprises physical infrastructure. The other significant benefit is that a “meaningful proportion” of CIL revenue would be returned to the neighbourhood in which the development that paid it took place.</p>	
New Homes Bonus	<p>This funding is not ring- fenced, and can be use to support a wide variety of options. The Government Intention for NHB is that it should reward Authorities for new builds, affordable homes, and empty houses brought back into use. Income depends on the number of eligible units added to the Council Tax Base Form annually.</p> <p>The first NHB payment was in April 2011, at the same time as the formula grant.</p>	£2.28m for Year 1, of which £600k is allocated to replace the Housing Planning and Delivery Grant. The rest of the allocation for 2011-2 is being held as a contingency. £4.9m is allocated for 2012/13
Section 106	Section 106 will continue to operate in the planning process, especially to deliver of social housing units to Investment Framework schemes.	Will be allocated to existing projects so not a “new source” of funding
Tax Increment Financing	<p>TIF allows us to borrow against future additional uplift within our business rates base income stream to fund projects.</p> <p>A consultation response has been submitted to the Government</p>	Potential uses being explored- could provide up-front support to projects. However, likely this will be absorbed by bigger schemes such as Avonmouth-Sevenside.
Growing Places Fund	Growing Place funding supports the strategic objectives of the LEP. It is proposed to combine the RGF money with the Growing Places fund to make a Revolving Fund. A list of projects for the fund to support is being assembled, which will also include private sector promoted sites. Projects can include those that need “unblocking” but are also deliverable. This is not a gap fund but a cash flow fund and thus the money must be returned to the pot when appropriate.	£11.3m for WoE, suggestion is that this is combined with the RGF fund to make a total pot of £50m for the WoE. Proposals for Growing Places projects will be coming forward from January 2012
Regional Growth Fund	RGF bid successful (£39m between WoE authorities) to establish Revolving Infrastructure Fund for LEP area.	The current proposal is for the projects listed at bid stage to be

		progressed, though this may change.
Green Investment Bank	It has not yet been established how the bank will be structured, or how it can lever in private funds.	No information to date.
Retention of Business Rates	A number of schemes are under review, including- The Business Increase Bonus (where LA business rates exceed a given threshold) Retention of Business Rates (raised locally) Other options relating to incentives linked to economic growth	This is expected to be a key funding element for the Enterprise Zone.
European Local ENergy Assistance (ELENA)	Technical Assistance Programme that will provide us with staff and financial resources of a total value of £2.6m to develop a large-scale retrofit programme including renewable energy measures of a total value of £ 140m within a three-year time period. This involves setting up an energy services company as an arms-length investment vehicle that will allow the Council to draw in a range of sources of finance including from private sources to deliver large-scale carbon reduction and energy efficiency improvements on a citywide level. Citywide pilots programme split as follows: 1-District Heating projects 2-Public Building retrofits & Solar PV 3-Domestic retrofits & Solar PV (biggest of the three) Energy Services Company to be established by June 2012, roll out of Solar PV programme across the city to start at the same time, with further energy efficiency and renewable energy measures/packages to be delivered in 2012 and 2013.	Total up to £140m for this first phase of projects from a range of finance sources including prudential borrowing. Relevant for all buildings work the Council is undertaking <sup>1</sup>
European Regional Development Fund (ERDF)	<b>Priority Axis 3:</b> to drive up the number of businesses in some of the region's most deprived neighbourhoods through <b>Urban Enterprise</b> . Funding can be utilised to support projects such as the development of workspace / incubator spaces in local communities and carbon reduction interventions for business.	BCC is currently putting forward up to 10 schemes bidding for up to £8.9m (plus match at 50%) for review by CLG in January 2012.
Homes and	Funds from the Affordable Housing	The AHP monies fund



Communities Agency	Programme and Regeneration Fund	Property and	small affordable housing projects across the city
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## Evaluation Criteria and Evaluation Matrix

The purpose of the Evaluation Matrix is to enable the Project Manager to score their project using a weighted set of Evaluation Criteria. The Project is scored under four main headings: Strategic, Deliverability, Benefits, and Finance. These main headings also address the key drivers for sustainable communities set out in the “Egan Wheel” (below). Projects with a total score will then be listed in a Project list, with the highest scoring projects first.



## APPENDIX E

## PROJECT PRIORITISATION FORM

Project Name &amp; Ref

0

Project Score

100

Project Description

0

	Scoring	Weighting	Weighted Score
CRITERIA	(Score 0 - 4) ( Note 1 )	( Note 2 )	Score x weighting
<b>STRATEGIC IMPACT (30%)</b>			
1) <b>Meets a priority under the key aims in the Core Strategy.</b> ( Zero for no objectives, 2 points for one objective, 3 for 2 objectives, 4 for more than 2 )	4	3	12
2) <b>Meets a Local Enterprise Partnership strategic objective</b> ( Zero for no objectives, 2 points for one objective, 3 for 2 objectives, 4 for more than 2 )	4	1.5	6
3) <b>Project Scope/Scale</b> ( 0 for no impact, 1 point for local, 2pts for Neighbourhood, 3 pts for city wide, 4 for sub-regional )	4	1.5	6
4) <b>Supports local community group objectives</b> ( Zero for no, 2 for partially, 4 for Yes with support from the Neighbourhood Partnership )	4	1.5	6
<b>DELIVERABILITY (20%)</b>			
5) <b>Planning Permission</b> (None/ Outline/ Detailed) (Score 0,2, and 4 respectively)	4	1	4
6) <b>Risk (H-MH-M-ML-L)</b> (4 points for low risk, 3 for L-M risk, 2 for Medium, 1 for Medium-High, 0 for H)	4	1	4
7) <b>Ownership of site</b> (4 pts if owned by BCC, 2 points if part owned, 0 if privately owned)	4	1	4
8) <b>Start on Site</b> (Score 4 points if within 6 months, 3 within 1 year, 2 within 2 years, 1 within 3 years)	4	1	4
9) <b>Contractual position</b> (Zero for none, two for partially, four for all key contracts/agreements signed)	4	1	4
<b>BENEFITS (30%)</b>			
10) <b>Delivers a significant and measureable contribution to improving the Council's environmental performance.</b> ( via a sustainable project or sustainable quality threshold e.g. BREEAM ) (4 points for an "energy" led project, 2 points for accreditation, Zero for neither)	4	1.25	5
11) <b>Place Benefits</b> (1 point each for high design quality buildings, improving public spaces, mix of different uses, and improved transportation connectivity)	4	1.25	5
12) <b>Economic Benefits</b> (1 point each for consequential investment, increased jobs, improved health and investment in a local centre)	4	1.25	5
13) <b>Social Benefits</b> (1 pt each for benefits equalities groups, located in a disadvantaged area, brings community and leisure/education)	4	1.25	5
14) <b>External Partners</b> Demonstrates added benefits by working with external partners (1 point for each partner to a maximum of 4)	4	1.25	5
15) <b>Internal Partners</b> Benefits accrue to more than one BCC service (1 point for each partner to a maximum of 4)	4	1.25	5
<b>FINANCE and ASSETS (20%)</b>			
16) <b>BCC Net Funding Requirement</b> (Zero-4 points, £1 to £199k 3 points, £200k to £499k 2 points, £500k to £999k, 1 point, > £1m 0 points)	4	1.5	6
17) <b>Revenue Impact- net annual savings/additional cost</b> (Net annual savings > £300k- 4 points, £200- £299k 3 points, £100k to £199k 2 points, £1 to £99k 1 point, net additional cost- 0 points)	4	1.5	6
18) <b>Brings in Leverage to the project via External funding/assets</b> (More than 3:1-4 points, more than 2:1- 3 points, 1:1- 2 points, up to 1:1- 1 point, no leverage- 0 points)	4	1	4
19) <b>Brings in a net Capital Receipt</b> (> £500k- 4 points, > £250k- 3 points, > £100k- 2 points, up to £100k- 1 point, no capital receipt- 0 points)	4	1	4
		25	100

5	<b>AMP/DAMP</b>	
	Identified in AMP/DAMP (Y/N)	Y
6	<b>CAPITAL PROGRAMME</b>	
	Is the Project identified in the Capital Programme/Monitor? (Y/N)	N
7	<b>STATUTORY REQUIREMENT</b>	
	Does the delivery of this project satisfy a statutory requirement on the authority? (Y/N)	N
8	<b>ESTIMATED COST</b>	
	Total Project Cost.	£2,000,000
9	<b>START DATE</b>	
	Projected start on site date. (DD/MM/YY)	01/03/2012

## APPENDIX F

APPENDIX F-INVESTMENT FRAMEWORK PROJECT LIST 211211							
No.	Project Description	Area/Site	Location	TOTAL SCORE	Cost (£m)	Funding Shortfall	Proposed Funding allocation £000
1	Empty homes back into use	City Wide	Empty Homes Compulsory Purchase Programme- city wide	76.5	2012-3 total CPO cost pending	£300k	300
2	Rapid Transit Schemes	City Wide	Aston Vale to Temple Meads	74.5	£50m	£42m across the three schemes, less £10m from the Capital Project Stimulus Package	-
3	Rapid Transit Scheme	City Wide	North Fringe to Hengrove Package	74.5	£102m		-
4	Rapid Transit Scheme	City Wide	South Bristol Link	74.5	£44m		-
5	Mixed use scheme	Lockleaze	Gainsborough Sq Dvpt Area (Excluding CA site)	69.5	£4.3m	£2.3m required, £1m via capital stimulus package	-
6	Capital programme of Primary School schemes	City Wide	City Wide	68.25	Significant funding gap if all of programme is delivered	Shortfall remains after capital stimulus package	-
7	Site acquisition regeneration and project preparation, Housing units	Central Area	Carriage Works, Stokes Croft	65.5		SoS 010814- CPO/site acquisition costs need funding	675
8	Green Business Park adjacent to Filwood Park	Knowle West	Green business park & flexible B1 Units	65.5	Unknown at this stage	On site 2012- may be able to fund via Growing Places/RIF funds (for review in January 2012)	-
9	SR Housing units	Suburban Intensification	Mason Arms PH (9 units) Lawrence Weston	59	Not confirmed	SoS 01/09/2012 £225k needed to facilitate Social Rent Units ( not in enabling grant)	225
10	AR/SR Housing units	Suburban Intensification	Red Hart PH (8 units) Hartcliffe	56	Not confirmed	SoS 01/09/2012- £120k needed to facilitate Social Rent Units (not in enabling grant)	120
11	AR/SR Housing units	Central Area	Wilder St Car Park, Brunswick Rd	49	Not confirmed	SoS 2012- £155k needed to facilitate large social rented family homes	155

## Summary of Capital Programme 2011/12 - Cabinet report 26 January 2012

Department	2011/12	2012/13	2013/14	Total Remaining spend	Spend to 21st November (incl. Commitments)
	£000	£000	£000	£000	£000
Health & Adult Social Care	2,088	1,210		3,297	481
Corporate Services	296	525		820	158
Children & Young Peoples Services	30,696	27,561	1,200	59,457	11,929
City Development	43,595	24,984	6,874	75,453	29,185
Neighbourhoods - HRA	33,364	41,149	46,349	120,862	17,728
Neighbourhoods - General Fund	7,768	2,484	178	10,430	4,565
Chief Executive	2,056	693		2,749	797
<b>Total</b>	<b>119,862</b>	<b>98,605</b>	<b>54,602</b>	<b>273,069</b>	<b>64,842</b>

# Health & Adult Social Care

APPENDIX W

## CAPITAL PROGRAMME 2011/12 - Cabinet Report 26th January 2012

	Total Project Cost (All Years)		2011/12	2012/13	2013/14	Total Remaining Spend		Spend (Incl. Commitments) to Date	Percentage of Schemes Financially Committed / Complete
	£000		£000	£000	£000	£000		£000	
Residential Futures	3,900		398			398		270	97%
Social Care Reform Grant	244		100	99		199		10	23%
Investment in Community Based Services	639		400	239		639			0%
Very Sheltered Housing	142		64	40		104		16	27%
ICT Investment	611		30	505		535			12%
Care Home Standards - EPHs	579		133	235		368		81	49%
Minor Works	448		50	59		109		32	81%
Investment in Mental Health	925		808			808		56	18%
Access For Disabled Persons	80		22	25		47		5	42%
Health & Safety Projects	110		50	7		57		11	57%
Adult Community Care - Projects under £100k	605		33			33			95%
<b>Total</b>			<b>2,088</b>	<b>1,210</b>		<b>3,297</b>		<b>481</b>	

# Corporate Services

APPENDIX W

## CAPITAL PROGRAMME 2011/12 - Cabinet 26th January 2012

	Total Project Cost (All Years)	2011/12	2012/13	2013/14	Total Remaining Spend		Spend (Incl. Commitments) to Date	Percentage of Schemes Financially Committed / Complete
	£000	£000	£000	£000	£000		£000	
Coroners Court Refurbishment / Mortuary Provision	3,592	50	225		275		26	93%
Lockleaze Secondary School Demolition	400	89			89		94	101%
Fair Comment Project	94	57			57		38	80%
Listed Building Programme - Heritage Assets	200	50	150		200			0%
The Park - Refurbishment Programme	100	25	75		100			0%
Contingency for Demolition / Security / H&S	100	25	75		100			0%
Grand Total	4,486	296	525		820		158	

# Childrens & Young People Services

## CAPITAL PROGRAMME 2011/12 - Cabinet 26th January 2012

## Appendix W

Area	Project	Total Project Cost All years	2011/12	2012/13	2013/14	Total Remaining Spend	Spend Incl Commitments to date	Percentage of Schemes Financially Committed / Complete
		£000	£000	£000	£000	£000	£000	
Major Projects	Sea Mills Amalgamation	5,500	2,873	1,942		4,815	75	14%
	New Bishopston Primary (Sefton Pk/Ashley Down area)	10,136	40	4,412		4,452	38	56%
	May Park Primary	3,400	80	3,010		3,090	71	11%
	Hannah More Expansion	3,250	290	2,960		3,250	283	9%
	Weston Park / Bluebell Valley amalgamation	4,145	2,058			2,058	1,805	94%
	Brianwood Special School relocation	4,000		1,524		1,524	8	62%
	Cabot Primary	456					-211	54%
	Bankleaze Primary modernisation	2,440	1,040			1,040	995	98%
	Headley Park Primary	1,000	1,000			1,000	874	87%
	Parson Street Primary	2,822	762			762	765	100%
	St Ursula's	489	30	459		489	18	4%
	Cotham School BSF	21,359	966			966	335	97%
	Ashton Park BSF	18,900	270			270	300	100%
	Florence Brown (incl. Hostel) BSF	15,150	179			179	137	100%
	Horfield Primary School	2,330	53			53	42	100%
Major Projects Total		95,377	9,641	14,307		23,948	5,535	
Nursery	Hengrove Academy - Mama Bears	250		185		185		26%
	The Limes Nursery	140		140		140		0%
	Nursery - Minor Projects	2,320	1,354	110		1,464	5	37%
Nursery Total		2,710	1,354	435		1,789	5	
Primary	Additional Pupil Places	3,378	960	1,100	1,200	3,260	25	4%
	Temporary Classrooms	7,336	2,759	1,211		3,970	1,444	66%
	Millpond Primary	1,750	40	1,656		1,696	29	5%
	Two Mile Hill	654	654			654	169	26%
	The Old Fire Station	500	500			500	500	100%
	Air Balloon Hill	400	400			400	387	97%
	Elmfield Primary Deaf Provision	400		400		400		0%
	Highridge & Bishopsworth	500	383			383	229	69%
	Whitehall Primary modernisation	385	362			362	364	100%
	Barton Hill Playing Fields	200	200			200	4	2%
	Filton Avenue Junior - Roof Replacement	120	120			120	72	60%
	Knowle Park Primary - Rewire Phase 1	115	115			115	111	96%
	South Street Primary	150	109			109		27%
	Perry Court Primary	100	100			100		0%
	Land acquisition	1,000	598	402		1,000	8	1%
	Primary - Minor Projects	6,352	1,805	470		2,275	641	74%
Primary Total		23,340	9,104	5,239	1,200	15,544	3,983	

# Childrens & Young People Services

## Appendix W

### CAPITAL PROGRAMME 2011/12 - Cabinet 26th January 2012

Area	Project	Total Project Cost All years	2011/12	2012/13	2013/14	Total Remaining Spend	Spend Incl Commitments to date	Percentage of Schemes Financially Committed / Complete
		£000	£000	£000	£000	£000	£000	
Secondary	Fairfield Secondary School - Provision of Playing Fields at Purdown	809	747			747	4	8%
	Redland Green - Temperature Controls	500	191			191		62%
	Hengrove - Asbestos Removal	260	110			110	110	100%
	Hartcliffe Federartion	100		100		100		0%
	Secondary - Minor Projects	565	205	45		250	54	65%
Secondary Total		2,234	1,253	145		1,398	169	
Other	Devolved formula capital grant	12,379	4,806	2,267		7,072		43%
	Stoke Lodge Playing Field - proposed improvements to be identified	1,600		1,600		1,600		0%
	CYPS Capital Programme Contingency	1,751	1,001	499		1,500	951	69%
	DDA Projects	2,093	560	498		1,058	322	65%
	BSF Sports division	699	387	312		699		0%
	CYPS Information System	460	120	310		430	204	51%
	Key stage 2 PRU provision	300	256			256	236	94%
	Brunel Field Floodlighting	249	5	244		249	1	0%
	Deanfield Study Centre	245		245		245		0%
	Tree surgery	300	144			144		52%
	Barton Hill Primary - Highways Works	106	106			106	94	88%
	Old New Fosseway Upper School / The Bush - Seperation of Services	150	103				80	153%
	Other - Minor Projects	4,684	1,121	1,409		2,530	272	52%
Other Total		25,015	8,608	7,383		15,888	2,160	
Special	Kingsweston modernisation	388	385			385	69	18%
	Special - Minor Projects	250	250			250		0%
Special Total		638	635			635	69	0%
Youth	Youth - Minority Projects	1,222	100	51		151	8	88%
Youth Total		1,222	100	51		151	8	0%
Grand Total		150,537	30,696	27,561	1,200	59,354	11,929	



# City Development

## CAPITAL PROGRAMME 2011/12 - Cabinet Report 26th January 2012

### Appendix W

Area	Project	Total Project Cost All years £000	2011/12 £000	2012/13 £000	2013/14 £000	Total Remaining Spend £000	Spend (incl. Commitments) to date £000	Percentage of Schemes Financially Committed / Complete
Service Director Major Projects	Investing in a Low Carbon Future	14,041	2,528	5,100	6,413	14,041	1,083	8%
	Avonmouth Wind Turbines	9,400	3,500	5,827		9,327	537	6%
	Greater Bristol Bus Network	20,855	9,000	1,143		10,143	7,448	87%
	Hengrove Park Phase 1	20,836	6,026	818		6,844	1,015	72%
	Bristol North Pool / Bishopston Library Project	3,000		3,000		3,000		0%
	Museum of Bristol Phase 2	27,446	2,291			2,291	2,353	100%
	Cycle City Project	7,402	568	595		1,163	547	92%
	Asbestos	5,750	312	205		517	374	98%
	Cabot Tower - Repair Work	400	340	17		357	253	74%
	Residents Parking Zones (RPZ & CPZ)	911	6		282	288	114	81%
	Colston Hall	275	163			163	89	73%
	Listed Buildings	946	15	139		154	15	
	Structural Maintenance - Council Wide	14,878	3,092	3,143		6,235	2,451	75%
	Energy Management Saving Schemes	140	6			6	4	99%
	City Docks Infrastructure	11,891					335	103%
	Other - Minor Projects	524	107			107	10	82%
Service Director Major Projects Total		138,695	27,953	19,986	6,695	54,634	16,628	
Service Director Planning & Sustainable Development	Wood Fuel Station	440	100	323		423	96	26%
	Stokes Croft Gateway Enhancements	235	200			200	178	91%
	Redland Green School - Solar Panels	110	110			110	109	99%
	Planning & Sustainable Development - Minor Projects	3,255	468	10		478	166	90%
Service Director Planning & Sustainable Development Total		4,040	878	333		1,211	549	

# City Development

## CAPITAL PROGRAMME 2011/12 - Cabinet Report 26th January 2012

## Appendix W

Area	Project	Total Project Cost All years £000	2011/12 £000	2012/13 £000	2013/14 £000	Total Remaining Spend £000	Spend (incl. Commitments) to date £000	Percentage of Schemes Financially Committed / Complete
Service Director Transport	Major Transport Studies	9,514	2,156			2,156	2,070	99%
	Bridge Valley Road Remedial Works	2,702	1,882			1,882	1,910	101%
	Trenchard Street Multi Storey Car Park Structural Repairs	1,064	300	764		1,064		0%
	Multi Storey Car Park Lift Replacement	1,400	557	272	99	928	721	85%
	Capital Footways	6,935	500	349		849	367	93%
	Ashley Down Road	950	845			845	367	50%
	Capital Carriageways	5,888		730		730	1,045	105%
	Street Lighting Improvement Works	4,910	500	124		624	552	99%
	Traffic Signals	7,532	440			440	258	98%
	Carriageway Surface Dressing - devolved to NPs	419	419			419	359	86%
	Traffic Management - General Works	5,453	250	165		415	143	95%
	Bus Quality Partnership - Showcase Bus Route	12,339	329			329	154	99%
	Local Safety Schemes	8,966	312			312	276	100%
	Pay of Foot Machines (Replacement) Trenchard Street and West	298	50	248		298		0%
	End Multi Storey Car Park							
	Legible City - Maintenance Strategy	253	253			253	203	80%
	Sustainable Travel Initiative	165	165			165	91	55%
	Infrastructure to Support New Bus Contracts	160	160			160	17	10%
	Rail Enhancements	872	158			158	3	82%
	Bridges and Structures Asset Maintenance	150	80	70		150	15	10%
	Links to Schools & Communities	142	20	122		142	26	18%
	Pedestrian Schemes (Walking)	3,086	134			134	117	99%
	Bus Lane Enforcement	355	103			103	28	79%
	Transport - Minor Projects	23,219	2,415	98		2,513	524	91%
Service Director Transport Total		96,771	12,027	2,942	99	15,069	9,244	
Service Director Economic & Cultural Development	Libraries - Junction 3	3,019	700	1,223		1,923	1,667	92%
	City Museum & Art Gallery (CMAG) Lift	1,117	700	367		1,067	155	18%
	Kingswear & Torpoint Flats	1,707	578	44	80	702	358	80%
	Libraries - Procurement of self service technology	655	603			603	577	96%
	Museum Security Systems	124	104			104		16%
	Economic & Cultural Development - Minor Projects	663	53	88		141	6	80%
Service Director Economic & Cultural Development Total		7,284	2,737	1,723	80	4,539	2,763	
Grand Total		246,789	43,595	24,984	6,874	75,453	29,185	

# NHS (HRA)

APPENDIX W

## CAPITAL PROGRAMME 2011/12 - Cabinet Report 26th January 2012

	2011/12	2012/13	2013/14	Total Remaining Spend	Spend Including Commitments to date	Percentage of Schemes Financially Committed / Complete
	£000	£000	£000	£000	£000	
<b>HRA Programme</b>						
<b>HRA - Investment in Stock</b>			46,349	46,349		
Planned Programmes	15,270	13,623		28,893	7,754	51%
Investment in Blocks	2,471	14,972		17,443	1,253	51%
Capitalised Works	3,575	600		4,175	1,507	42%
Soft Investment	1,019	1,000		2,019	250	25%
Disabled Adaptations	2,417	2,638		5,055	2,199	91%
	<b>24,752</b>	<b>32,833</b>	<b>46,349</b>	<b>103,934</b>	<b>12,963</b>	
<b>HRA Other</b>						
Priority Stock	4,148	5,061		9,209	2,154	52%
Other Schemes	864			864	864	100%
Garage Strategy	500	800		1,300	145	29%
Miscellaneous	1,045	799		1,844	232	22%
Project Management / Professional Charges	2,055	1,656		3,711	1,370	67%
	<b>8,612</b>	<b>8,316</b>		<b>16,928</b>	<b>4,765</b>	
<b>Total</b>	<b>33,364</b>	<b>41,149</b>	<b>46,349</b>	<b>120,862</b>	<b>17,728</b>	

# Neighbourhoods - General Fund

## CAPITAL PROGRAMME 2011/12 - Cabinet 26th January 2012

## Appendix W

Area	Sub Area	Project	Total Project Cost All years £000	2011/12 £000	2012/13 £000	2013/14 £000	Total Remaining Spend £000	Spend to Date (Incl. Commitments) £000	Percentage of Schemes Financially Committed / Complete
Strategic Housing	Strategic Housing	Strategic Housing Services	4,130	1,677	300		1,977	931	75%
		Private Sector Renewal	6,073	2,153			2,153	772	77%
		Very Sheltered Housing	1,345	80	94		174		87%
		Strategic Housing - Minority Reports	25	26			26		-6%
Strategic Housing Total			11,573	3,936	394		4,330	1,703	
Environmental & Leisure	Parks & Estates	Crematoria - Abatement of Mercury Emissions	1,675	660	1,002		1,662	1,038	63%
		Ashton Court - Café Facility and Golf / Cycle Hub.	561	524			524	556	106%
		Improvements to Land	380	64	164	150	378	14	4%
		Ashton Court - Off Road Cycle Trail	256	239	10		249	230	93%
		Arnos Vale	6,043	136	50		186	-58	96%
		GBBN Treeplanting	413	172	138		309	95	48%
		Parks & Estates Minority Projects	26,879	1,707	107	28	1,842	843	96%
		Parks & Estates Total	36,206	3,502	1,470	178	5,150	2,719	
	Sports	Sports - Minority Projects	1,442	140			140	9	91%
	Sports Total	1,442	140			140	9		
	Waste & Cleansing	Albert Road Waste Collection & Recycling Depot	300		300		300	4	1%
		Toilets	157	89			89	81	95%
	Waste & Cleansing Total		457	89	300		389	85	
Environmental & Leisure Total			38,105	3,731	1,770	178	5,678	2,812	
Neighbourhoods & Communities		DDA	4,512	101	320		421	49	92%
Neighbourhoods & Communities Total			4,512	101	320		421	49	
Grand Total			54,189	7,768	2,484	178	10,430	4,565	

In addition the Hengrove Leisure Centre Private Finance Initiative Scheme is due to complete on 29th February 2012 with a Capital Cost of £22.7m.

# Chief Executive

APPENDIX W

## CAPITAL PROGRAMME 2011/12 - Cabinet Report 26th January 2012

	Total Project Cost (All Years)  £000		2011/12  £000	2012/13  £000	2013/14  £000	Total Remaining Spend  £000		Spend (Incl. Commitments) to Date  £000	Percentage of Schemes Financially Committed / Complete
Accommodation Review	7,943		600	400		1,000		293	91%
Customer Excellence	2,600		250	293		543		504	98%
Customer Service Points	925		56			56			94%
Desktop & Collaboration Tools	1,150		1,150			1,150			0%
<b>Total</b>	<b>12,618</b>		<b>2,056</b>	<b>693</b>		<b>2,749</b>		<b>797</b>	

## Additions to the Capital Programme - Cabinet 26<sup>th</sup> January 2012

### Children & Young People Services

1. **Deanfield Study Centre** - The existing classroom buildings are in excess 65 years old, and following an independent structural survey it is considered that these buildings are reaching the end of their useful life and that ongoing maintenance operations to maintain them at an adequate use-able standard is not sustainable. It is proposed to remove the current structures and install a purpose build laboratory and classroom with enhanced teaching facilities, greater energy efficiency and integral WC facilities. The estimated cost is £245k, and this will be funded from the disposal of the caretakers house (£145k) as reported in the cabinet report dated 27<sup>th</sup> November 2008, and a contribution from the Deansfield Study Centre (£100k).

### City Development

2. **Cycling City** - As part of the Cycling City Scheme, Bristol Bridge will be redesigned. The scheme has been slightly amended after consultation with English Heritage. The cost has increased by £20k that will be funded from the Heritage Lottery Fund.
3. **Bristol Biggest Bike Ride** - This scheme (£75k) has been reclassified as a revenue scheme.
4. **Investing in the Low Carbon Future** - Cabinet approved prudential borrowing of £4.053m for the low energy street lighting replacement programme on 30<sup>th</sup> September 2010 as part of investing in the low Energy Future for Bristol. Subsequently interest free loans from SALIX / LAEF (£550k) and Seal (£550k) have been secured reducing the Prudential borrowing element to £2.953m.
5. **Learning Suite - Museum of Bristol** - As part of the Museum of Bristol scheme a learning suite will be created at a cost of £222k. This will be funded from a renaissance grant of £45k and allocations of £177k reported within the cabinet report dated 29<sup>th</sup> September 2011.
6. **Local Sustainable Transport Fund** - As referred to within the Cabinet Report dated 24<sup>th</sup> March 2011, Bristol City Council along with the Neighbouring authorities have successful bid for a £5m grant from the Department of Transport. The £5m grant has been awarded for both capital and revenue sustainable transport improvement schemes that will additionally support the Council's carbon reduction policy. Bristol's share of the grant is £1.75m, £900k allocated to revenue and £850k allocated to capital. This will primarily be for new / enhancing cycling and pedestrian routes, with the £400k expenditure expected in 2011/12 with the remainder to be incurred by March 2013, to meet grant conditions.

## Neighbourhoods – General Fund

7. **St Judes Flats - Childrens Play Ground.** – To replace the existing playground at St Judes Flats. The estimated cost is £100k and will be funded from a S.106.
8. **Ashton Court - Café Facility and Golf / Cycle Hub.** - In order to ensure that the scheme is delivered as designed and fit for purpose an additional £40k is required to retain the capacity within the building and the kitchen area to serve expected customer demand across the year. This sum will be funded from a contribution from revenue.
9. **Minor Funding** - the following are minor additions that are to be funded from S.106.

Scheme	Additional Funding	Source	Description
Dame Emily Community Garden	£5k	Revenue Contribution	Improvement Works

## Projects previously approved and now added to the capital programme

10. **Bristol North Pool / Bishopston Library** – The Cabinet report dated 29<sup>th</sup> September 2011 approved to fund the £3m construction / development phase of the Bristol North Pool and Bishopston Library for multi-uses including a new library, subject to full repayment including interest on completion from the developer.

## VIREMENTS

Monitor	Name of Scheme	Latest Funding £000	Virement £000	Revised Funding £000
CD	Traffic Signals	565	(150)	415
	GBBN	9,993	150	10,143
	Traffic Signals	515	(100)	415
	GBBN	10,143	100	10,243
	Laef Scheme	550	(550)	
	Street Lighting	3,503	550	4,053
Sub-total		25,270		25,270
CYPS	Social Care / Safeguarding Essential Works	100	(100)	
	Looked After Children's Property Repairs	100	100	200
	Contingency	752	(100)	652
	Looked After Children's Property Repairs	200	100	300
Sub-total		1,152		1,152
	<b>TOTAL</b>	<b>26,422</b>		<b>26,422</b>