

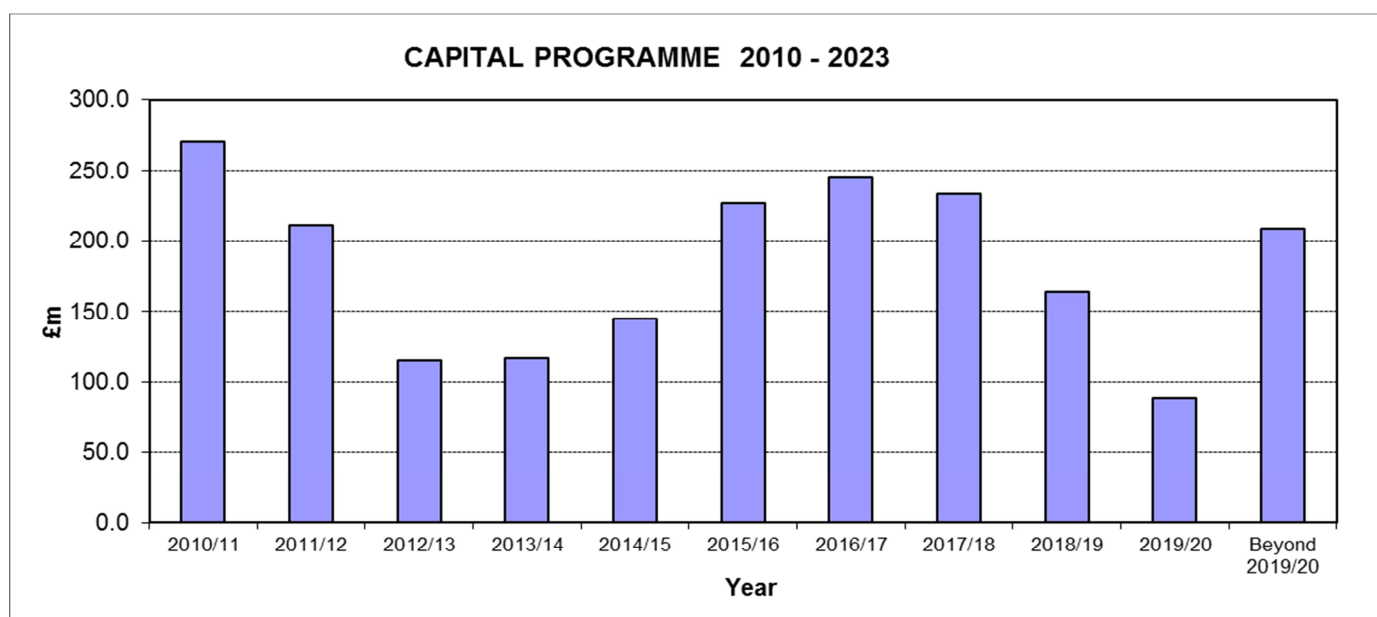
# 2017/18 Capital Programme

## CAPITAL PROGRAMME EXECUTIVE SUMMARY

1. Capital spending pays for buildings, roads and council housing and for major repairs to them. It does not pay for the day-to-day running costs of council services.
2. The Council's Corporate Capital Strategy is shaped by a number of central Government policies:
  - the devolvement of capital spending decisions to City Region authorities and the involvement of the Local Enterprise Partnerships (LEP) in capital allocation decisions
  - the shift towards capital funding to economic regeneration projects which generate a financial return to repay the initial investment and create a revolving investment fund;
  - the introduction of funding streams such as Community Infrastructure Levy and New Homes Bonus which reward economic development;
  - the impact of the Government's austerity programme on the rest of the non-housing programme, which has not only led to less capital funding but is also reducing Revenue Budget funding it has limited the scope for contributions to the Capital Budget;
  - the self-financing regime for the Housing Revenue Account (HRA) has provided for a relatively well funded programme of investment in existing and even new Council housing stock;
  - the recently announced reductions in the permitted level of annual increases will put pressure on this source of funding unless resources can be released from elsewhere within the HRA activity.
  - the education policy mandating that all new schools should be academies which transfers maintenance responsibilities away from the Council's Local Education Authority (LEA) role and will subsequently reduce central grant funding which is formula driven based on pupil numbers;
  - the Streets Ahead programme is providing massive investment in the City's roads and street lighting over the next few years, funded via the Private Finance Initiative (PFI), which is outside the capital programme except for the Council's own capital contribution
3. As a result of the above, the Housing investment programme therefore now accounts for almost fifty per cent of the Capital Programme. The next biggest applications include economic regeneration and infrastructure renewal of highways, schools and leisure facilities.
4. The delivery of the Council's Affordable Housing policy will be increasingly through council housing investment and, for private sector affordable housing, local housing associations or the Sheffield Housing Company initiative where the

Council is working in partnership with a private sector developer to increase the number of affordable homes and regenerate housing estates.

5. In the Strong Economy priority, the focus will be on creating the necessary infrastructure to support economic regeneration and supporting the development of industrial hubs in new industries such as advanced manufacturing or the creative digital sector.
6. In the Health and Well-being priority, investment will be directed to adapt homes so that people can live independently.
7. The Successful Young People priority will continue to invest in schools to meet the increasing demand for pupil places.
8. The declining central government support will place increased reliance on the Council's Asset Enhancement programme to generate capital receipts to use on its own priorities.
9. The graph below illustrates the change in activity in the Capital Programme from 2010/11 to 2019/20 and beyond.



## Capital Investment Plans

10. So, looking forward, the current Approved Capital Programme from 2016-17 is projected at £939.9m.
11. 2012/13 saw the introduction of the Streets Ahead Programme (a Highways Private Finance Initiative (PFI)). The programme will result in loss of the Local Transport Plan (LTP) Maintenance Grant of approximately £6m per year, but the PFI funding of £1.2bn should deliver substantial improvements to the Highways

network through capital investment over a 30 year period concentrated in the first five years of the Core Investment Period of the project. If economically advantageous, the Council will invest further sums if this can generate revenue budget savings where it can raise finance cheaper than its commercial partners.

12. The Housing Revenue Account (HRA) Self Financing project delivers to local authorities' greater autonomy in the management of their housing stock and writes off substantial amounts of accumulated debt. This will allow the authority to plan contributions to the capital programme from the Housing Revenue Account with greater certainty over a longer term period, and the Authority has developed a 30 year business plan which will inject into the Housing Programme £349.2m from 2017/18 onwards..
13. School building works will be financed mainly by Department for Education formula calculated central grants supplemented by occasional specific grants to deal with building condition or population growth.
14. The proposed programme illustrated by the graph in paragraph 9 above does not include a number of major projects costing potentially more than £100m which are currently the subject of funding bids or approvals as detailed below.
15. **Flood Defence Schemes (£65m):** Cabinet has already approved a £18m scheme to provide enhanced flood defences over a five mile stretch of the River Don between the city centre and Meadowhall which would protect homes and businesses against a 100 year flood event. The Council has made presentations to central government proposing an £80m+ programme to undertake works across the city including the Upper Don Valley, River Sheaf, Blackburn Brook and Car Brook.
16. **City Centre Development:** it is a Council priority to regenerate the city centre. The Council is reviewing different partnership options for taking this project forward. This may involve the Council undertaking infrastructure works to prime the development and possibly taking a stake in the Sheffield Retail Quarter.
17. **Transport Infrastructure:** the Council has very recently obtained a grant of over £1m to move to the next stage of bidding for a share of £400m fund made available by the Department of Transport for major schemes. The central objective will be to enable growth in the Lower Don Valley by increasing the transport infrastructure capacity to reduce congestion caused by East-West traffic flows.
18. **Housing Schemes:** the Council has also been successful in obtaining support to bid for central government funding made available by the Homes and Communities Agency (HCA) to support the acceleration of new homes building.

19. **Castlegate Redevelopment:** the Council is seeking external funding to develop the former Castle Market site potentially as a visitor attraction if there are sufficient remains of the former castle which can be uncovered.

## **Pressures on the Capital Programme**

20. This summary details the pressures on the Capital Programme and the consequences for its funding.

## **Schools**

### ***School Places***

21. The Council has a significant duty to provide sufficient and suitable school places. The rising birth rate means that the primary population (which eventually becomes the secondary group from 2015/16) has risen significantly. Two new schools were delivered in 2014 and expansion measures have continued throughout 2016/17. This need will continue for the next three years as the responsibility to build new schools remains with the Council and does not transfer to academies.
22. The proposed programme in this report will commit the Council to investing up to £20m in school places to create the infrastructure in advance of receiving future government funding allocations beyond the current known values up to the end of 2017/18. Given the construction lead times for new pupil places, this is a risk to the Revenue Budget that the Council must take in order to be able to educate the children in an acceptable environment.
23. The proposals in this report are based on the current education funding arrangements and do not include any attempt to forecast the impact of additional schools converting to academy status or changes to the education system (which might see vocationally based education provided for pupils aged 14+ in colleges such as the University Technical Colleges). This development is expected to reduce the level of funding from today but the demands on the Authority's capital funds will reduce too as the commensurate responsibility for the renewal of the school infrastructure transfers to the Academies. However the demands relating to the condition of the primary estate are still significant. For the whole school estate, the backlog fabric renewal bill has been estimated at £100m and in some cases is becoming more urgent as time passes and assets which are critical to the functioning of the school become life expired.

## **Homes**

24. The Housing Programme has suffered twin pressures caused by reductions in nationally funded programmes and reducing capital receipts as a result of the economic climate and changes to the Right to Buy legislation. The introduction of the Self-Funded Business Model has created greater freedom for the Council to

invest in its housing stock through contributions from the Housing Revenue account.

25. Having conducted an assessment of the housing market, the Council estimates that at least 725 affordable homes are required each year. The Council aims to deliver these through a combination of initiatives including building homes itself using the Sheffield Housing Company, releasing land to Housing Associations, bringing long term empty properties back into use as well as private sector developments.
26. The Council has developed a Housing Delivery plan to deliver 20,000 additional homes over the next ten years. This will be achieved through a mix of private sector, Council and Housing association led development. It may be appropriate for the Council to provide or assist in the provision of infrastructure to accelerate the development of key sites.
27. Smaller scale initiatives such as the Custom Build initiative to allow individuals to build their own homes are also being supported through the release of Council owned land,

## **Roads**

28. The Streets Ahead programme is well underway, renewing the fabric of the City's highway infrastructure and nearing the end of the core Investment period. The new contract creates greater budgetary discipline than before in that the future maintenance costs of changes to the network have to be identified at the point of construction. This is done by calculating the future costs as a "commuted sum" which is usually funded out of the existing revenue budget. As the austerity programme reduces local authority budgets, there may come a point where new works are unable to progress because the Council cannot meet the future maintenance obligations.
29. The final position on the Inner Relief Road (IRR) scheme is dependent on the disposal of a small number of residual sites. Balancing this project relies on realising the sales to match any shortfall otherwise funding will have to be taken from the Corporate Resource Pool (CRP).

## **Maintaining the Existing Fabric of the Property Estate**

30. The Council has traditionally allocated several million pounds each year to fund building renovations and machinery replacement. Cabinet has approved a programme to maintain the rolling programme and deliver savings to the Revenue Budget by engaging in capital spend to address the fundamental problems rather than "patch and mend". However, the size and age of the estate produces a significant demand on the Council's funds.

31. In particular the Council is the owner and custodian of a number of key civic city centre buildings including the Town Hall, Central Library plus Victorian schools in the suburbs. Many of these are listed buildings (the Town Hall is in the highest category of Grade 1) requiring the Council to keep these in good condition and preserve their original features.
32. In the case of the Central Library, it is estimated it will require investment in essential capital works of around £2.2m. This includes works relating to the heating system, roof, fire risk and general repairs. Whilst this will secure the building's operation in the short term, experience over the last 10 years shows that continued essential investment will be required on an on-going and sizeable basis. It is estimated that a major refurbishment of the building would cost at least £16m and a major redevelopment (modernising the layout and uses) would cost in excess of £30m. To put this in context, the essential works spend on the whole of the Council's operational buildings in the last five years was £12.7m, and, of that £6.9m is forecast to be spent in 2016/17 prompted by the Fire Risk Assessment Programme. The backlog work is assessed at £65m.
33. Inevitably the need to preserve architectural heritage features adds to the cost of any works because the replacement parts have to be specially built. Moreover as these buildings become older, building regulations become more demanding, the simplest work on say the electrical system can require a substantial overhaul in order to meet the current standards.
34. In order to mitigate this pressure, the Council is currently reviewing the estate to identify underutilised or high cost buildings where the facility can be provided from existing or new premises. This project, the Community Investment Plan, will run in conjunction with the Accommodation Efficiency Strategy has reduced the Council's office space needs enabling it to leave rented property providing Revenue Budget savings.
35. The first phases of the Community Investment Plan (CIP) and Asset Enhancement have concluded and the benefits realised through Revenue Budget savings and capital receipts. The first call on the receipts is to repay the investment in these initiatives. The CIP will progress on cash neutral basis with minimal funding whereby future schemes will be financed from capital receipts or revenue savings from completed projects.
36. There is also a substantial programme of remedial works in schools. A small proportion of this can be met by specific grants from the Department for Education (DfE) but the majority of works will require either significantly more grant from the DfE and/or alternative financing.

### ***Developing the Local Economy and Infrastructure***

37. Despite the downturn in the property market, the Council will be presented with opportunities to acquire strategic land sites which will help the city recover as the economic upturn gathers pace or provide sites for housing development. Investing in the city's people is also a key priority. In 2012-13 the Council acquired land to facilitate the construction of the University Technology College in the city centre and has support a second facility in Attercliffe as described in the next paragraph.
38. The Council has led in the redevelopment of the new Olympic Legacy Park in Attercliffe built around a theme of education, sports and well-being to complement the existing sports facilities in that area such as the English Institute of Sport and Sheffield Arena. The site has a through school constructed by the Council in 2015-16 and complemented by the City's second University Technical College which opened in 2016-17.
39. There are further plans to include other private sector led developments including an Advanced Well Being Research Centre led by Sheffield Hallam University and Toshiba. The total site investment will be around £60m of which just over half will be from the private sector. The Council has acted as a catalyst investing £25m of its own or grant funding in the remediation of the site, construction of the school and provision of the public realm.
40. The Capital programme funding strategy needs to be flexible enough to respond to such opportunities.

## **The Consequences for funding the Capital Programme**

41. The impact of the national expenditure reductions, the uncertainties of the national economy and the need to manage the risks and contain the pressures within the non-housing programme combine such that the authority becomes increasingly reliant on capital receipts. Looking beyond this source, there are opportunities within the capital programme and new funding streams which have been combined to create funding pools such as the Growth Investment Fund. Other initiatives such as the Tax Increment Financing Scheme (TIF) are now in operation and the Community Infrastructure Levy (CIL) has been enacted from July 2015. These sources are discussed more fully at paragraphs [103 & 110]

## **The Growth Investment Fund**

42. The purpose of the Growth Investment Fund (GIF) is to provide long term funding for regeneration and housing projects which will stimulate growth to provide high quality jobs and homes that people can afford. The money may be used to support land assembly, remediation and match inward and external investment for projects which have no other income stream. The fund is also intended to support infrastructure projects such as transport links which will enable growth

projects to progress by removing network capacity constraints which may prevent the grant of planning permission.

43. Approvals from the fund are made by the Deputy Leader and Cabinet Members for Finance, Children, and, Transport and Infrastructure assisted by the Executive Directors responsible for Housing, Place and Finance.
44. The fund will comprise receipts from New Homes Bonus and CIL potentially topped up by Council Tax and Business Rates generated from projects financed by the fund. It is intended to operate on an “evergreen” basis with receipts from successful projects recycled back through the fund. The potential benefit of this approach is gained from amalgamating multiple income streams to generate further growth to provide the critical mass to support major projects which will transform the city. The alternative piecemeal approach would delay projects for years until sufficient funds from individual streams e.g.CIL had been accumulated.
45. The priorities for the fund are set by the priority boards, led by Members. The Strong Economy Board has identified four immediate priorities:
  - [Transport Strategy development](#)
  - [Medium Term Congestion Reduction Schemes](#)
  - [Securing Inward Investment](#)
  - [Redevelopment of Castlegate](#)

### ***The Capital Resource Pool (CRP)***

46. Historically the Capital Resource Pool (CRP) has been used to fund investment needs not met by Government funding which is principally targeted at housing, schools and roads. The CRP is therefore used to improve the authority’s building estate, deal with backlog maintenance demands and unplanned failures of large critical assets or other property losses caused by natural disasters such as the floods in 2007. The authority needs to retain a prudent level of reserve to cover such risks.
47. CRP is also a key resource for funding those projects which are not supported by specific central government grants for homes, schools or roads. It can also be used to demolish empty properties to redevelop land for sale. This can bring benefits to the Revenue Budget by reducing the costs of safeguarding vacant property as well as replenishing the CRP.
48. The success of the Asset Enhancement programme is key to replenishing this reservoir of funding.
49. Appendix 4 discusses the position on the CRP in further detail but the key point to note is that this report, as for the past three years, recommends that no



schemes funded from this source be approved beyond one year (2017-18) because of the uncertainty around future capital receipts.

#### 50. The Structure of the Report

This report now describes

- the whole of the programme for the next four years and beyond;
- the programme in 2017/18 and the changes from 2016/17; and
- funding of the capital programme

## THE CAPITAL PROGRAMME 2017 – 22

51. The capital programme over the 5 years 2016-21 shows a broadly balanced position with proposed expenditure totalling £939.9m as per Appendix 1.
52. Wherever possible, attempts are made to match the timing of the receipt of resources and the incurrence of expenditure to protect the Council's cash flow position. Where the levels of expenditure are significant, then individual management arrangements are put in place to mitigate the impact as far as possible. These are overseen by the Director of Finance, in conjunction with the respective Head of Service.
53. The funding of the programme comes from a diverse range of resources, such as government grants, other grants and contributions from other public bodies or third parties, capital receipts, prudential borrowing and revenue contributions to capital. The majority falls within either prudential borrowing or contributions from the revenue account to the capital programme, which together represents £701.7m (74 %) of the overall programme value.
54. The 2016 programme was set on the 6<sup>th</sup> March 2016 and at the time totalled £195.2m for 2016-17. This has been revised as additional resources have been secured and applied to new schemes, together with the net effect of the 2015/16 Outturn slippage and actions taken below, resulting in a revised current approved programme for 2016/17 of £246.8m as per appendix 1.

### ***Slippage within the Capital Programme***

55. For the last six years there has always been an underspend against the approved capital programme. The risk of slippage is present in all capital programmes. Subject to Cabinet approval, funds are rolled forward into the next year in order to complete projects. Slippage reflects delays in physical progress of a project and in most cases the work is delivered in the next financial year.
56. However, the current reporting system has provided greater transparency and identified instances where money appears to be repeatedly carried forward from earlier years. This allows members to test if the funding is really needed and could be reallocated to other priorities. It also shows the delivery performance on the capital programme.
57. Considerable work was undertaken in 2014-15 to identify the cause of slippage and improve capital delivery. This work compared Sheffield's approach to that of other organisations with significant capital programmes and concluded that project management needed to be strengthened and that delivery plans need independent scrutiny.

58. During 2015-16 the Council introduced a number of “gateways” at which the validity of the project is tested led by the Priority Programme Boards and the Capital Programme Group. These include:

- Approval of a mandate to ensure that all projects are linked to the Council’s priorities so scarce resource is not wasted on irrelevant projects;
- Review of an Outline business case which will set out the benefits and delivery options for the project. The Priority Boards will test if the proposal is value for money;
- Review of an initial business case once the preferred option has been selected. The Council’s Capital Delivery Service and Commercial Services function will advise on the proposed project plan and procurement route;

59. These changes have addressed a number of weaknesses in the programme including:

- the need for an independent review and challenge of project timelines which tend to be optimistic and do not allow sufficient time for key procedures such as approval, procurement and consultation with no contingency if things go wrong;
- Submitting investment bids before the whole project has been scoped in order to obtain capital funding; and
- Weak project governance with inadequate supervision of project managers by project and programme boards. In some cases the supervising group is managing the project instead of the Project Manager.

60. The value of net slippage approved to date at 30<sup>th</sup> November totals £9.7m. A breakdown of this by Programme is listed in the table below.

<b>Portfolio</b>	<b>Slippage (£m)</b>	<b>Accelerated Spend (£m)</b>	<b>Net Slippage (£m)</b>	<b>2015/16 Comparable Figure [1]</b>
Housing	9.1	0.0	9.1	4.6
Place	0.3	0.0	0.3	2.7
Resources	0.0	0.0	0.0	4.1
Highways	0.2	0.0	0.2	0.0
Communities	0.0	0.0	0.0	0.0
CYPF	0.0	0.0	0.0	2.1
<b>TOTAL</b>	<b>9.7</b>	<b>0.0</b>	<b>9.7</b>	<b>13.5</b>
[1] Represents the level of slippage approved at the equivalent period last year.				

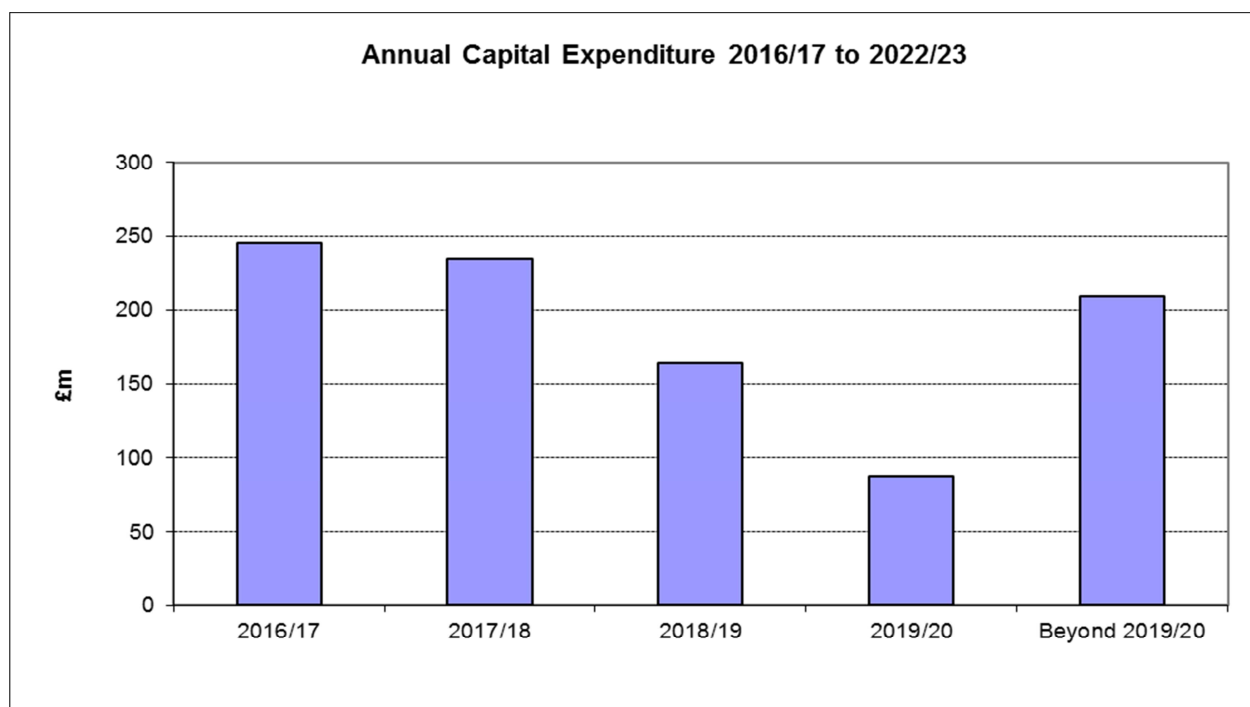
The value is lower than last year and does represent an improvement.

## KEY ELEMENTS of the CAPITAL PROGRAMME

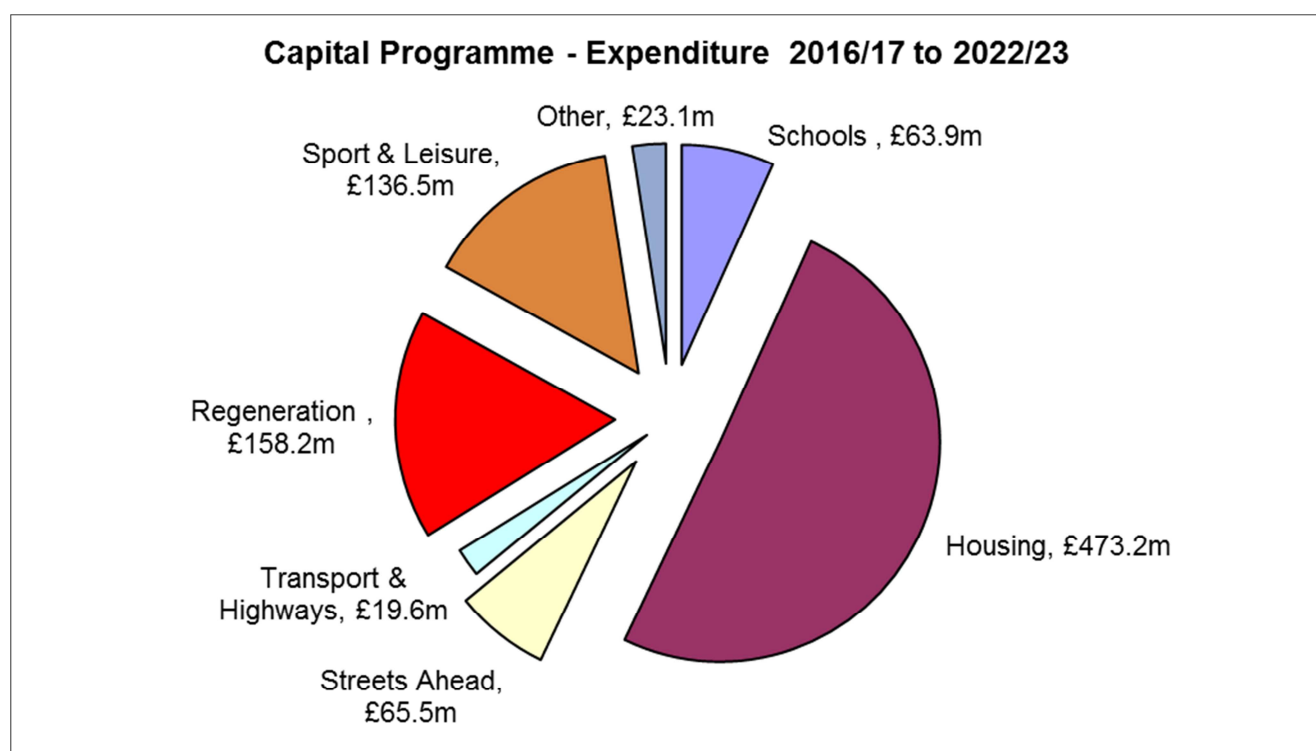
61. The overall Capital programme position for the 5 years from 2016/17 – 2020/21, amounts to £939.9m. Although the programme is made up of numerous capital projects the majority of its value falls within the Housing programme (£473.2m), which represents 50 % of the total programme.

2017/18 Approved Programme	
Annual Profile	
	£m
2016/17	245.6
2017/18	234.0
2018/19	164.1
2019/20	87.5
Beyond 2019/20	208.8
<b>Grand Total</b>	<b>939.9</b>

62. The profile of the programme is below and relatively even. As discussed at paragraph 14, it is expected that further projects will come forward for approval and add to the programme in 2018-20 to level out the activity.



63. The Housing programme becomes the largest single element (50 %) of the Capital Programme with significant amounts being invested in roads, regeneration, schools and leisure facilities.



<b>CAPITAL PROGRAMME</b>		
<b>2016/17 to 2022/23</b>		
	<b>£m</b>	<b>%</b>
Schools	63.9	7%
Housing	473.2	50%
Streets Ahead	65.5	7%
Transport & Highways	19.6	2%
Regeneration	158.2	17%
Sport & Leisure	136.5	15%
Other	23.1	2%
Overall Total	<b>939.9</b>	<b>100%</b>

Comments on the main elements are shown below. Further detail can be found in Appendices 6 to 8. []

### **School Places and Capital Maintenance Programme for Schools**

64. The need to meet the demand for additional school places created by an expanding population is a priority for the council. Recently new schools in the Waterthorpe and Skinnerthorpe areas plus the new Through School in Attercliffe on the site of the Olympic Legacy Park will create places in areas with increasing pupil numbers. The Council will design and procure the new schools, which will

be run as academies under government rules. An external sponsor will then maintain them.

65. Cabinet has approved, and work has commenced on providing more capacity at Bannerdale, Woodside and Ecclesall Juniors which will add a further 2,400 places.
66. Capital investment in maintaining the estate (including primary schools) utilises the approximately £4m annual grant from the DfE together with the Devolved Formula Grant from the schools themselves (£1.3m annually). Good prioritisation utilising our asset management plans means that the Council can target resources at the most needy schools throughout the city. This includes the ability to combine programmes at schools where it produces better value for money. The critical programmes to follow on after BSF are, heating and electrical, fire risk assessment measures, structural, roofs, windows and mobile replacements.
67. *The proposed programme is aligned to the three main themes in the Council's Housing Strategy. The programme is summarised below and described in detail in Appendix 6*
68. ***Increasing the Supply of New Homes in the City (£102.3m) through supporting the Sheffield Housing Company and other registered homes providers to build new properties. Growth Investment Fund could be used to clear undeveloped sites to prime construction work. For the first time in many years the Council will build its own houses using substantial funds from the HRA and Affordable Housing payments from developers.***
69. ***Making the best use of the City's existing housing stock (£264.7m) by continuing to renovate and refurbish the Council's housing stock. The Decent Homes Programme completed in 2013-14 having invested over £700m into improving homes. Going forward, £349m of funding has been identified within the Housing Revenue Account to maintain the standards reached today. Investment will be directed to renewing roofs, kitchens, bathrooms, electrical wiring and the communal areas of estates.***
70. ***Helping Younger, Older and Vulnerable people live independently (£23.9m) through the provision of grants to help adapt private sector houses to their needs as well as adapting the Council's own stock.***

## **Other Projects and Programmes**

71. **Regeneration (£158.2m)** is a key programme and objective within the Place portfolio. These works are seen as essential to promote economic growth and jobs which will increase footfall and spending in the city. More businesses, less vacant office and shop space should also increase the Council's business rate

income which will help offset the loss of central government funding. Most of the money (£128.8m) is allocated to the New Development District in the city centre which will incorporate the Sheffield Retail Quarter Over £6m will improve the area around Sheffield University and is funded by SCRIF and the University.

72. £10m of SCRIF grant is being invested in the development of a “Light Weighting” research centre which is being delivered through the University of Sheffield. The project provides a great opportunity to develop the region’s existing advanced manufacturing hub by investing in new technologies which are key to the aerospace industry. It should help to attract inward investment creating skilled high quality jobs for the people of Sheffield.

73. Over £35m has been spent to implement the **Council’s leisure facilities strategy**. This will be completed in the life of this plan with the final spend of £7m to deliver new centres in the North and South of the city complementing those at Ponds Forge in the city centre. The new sports centres will also include medical evaluation facilities to measure the impact of exercise on health. A further £3.3m will be invested in a venture with the Football Association to transform the quality of both adult and junior pitches across the city with Sheffield being the pilot for the national scheme.

74. At financial year end 2015-16 an adjustment to the prior year accounting treatment for the outstanding bond repayments in relation to Major Sporting Facilities was implemented with the agreement of the Council’s Audit Committee and External Auditors, KPMG. The impact of this was to recognise that the bond principal repayments should be funded from capital rather than charged to revenue (£26m to date). This is not an additional burden on the Council and no additional cash payments will need to be made. Therefore the Capital Programme now reflects the revised treatment of the remaining payments (£115m) as capital for the remaining term (8 further years).

75. The £16.8m expenditure in the Resources portfolio is primarily on essential building works to comply with current legislation. A significant programme of Fire Risk Assessment works to survey, risk assess and mitigate fire hazards in buildings is underway and will be added to over the next two years.

76. £18m is included for the feasibility, design and construction of **flood defences** to protect the Lower Don Valley which should raise business confidence and assist the regeneration of the area which is one of the Council’s key priorities.

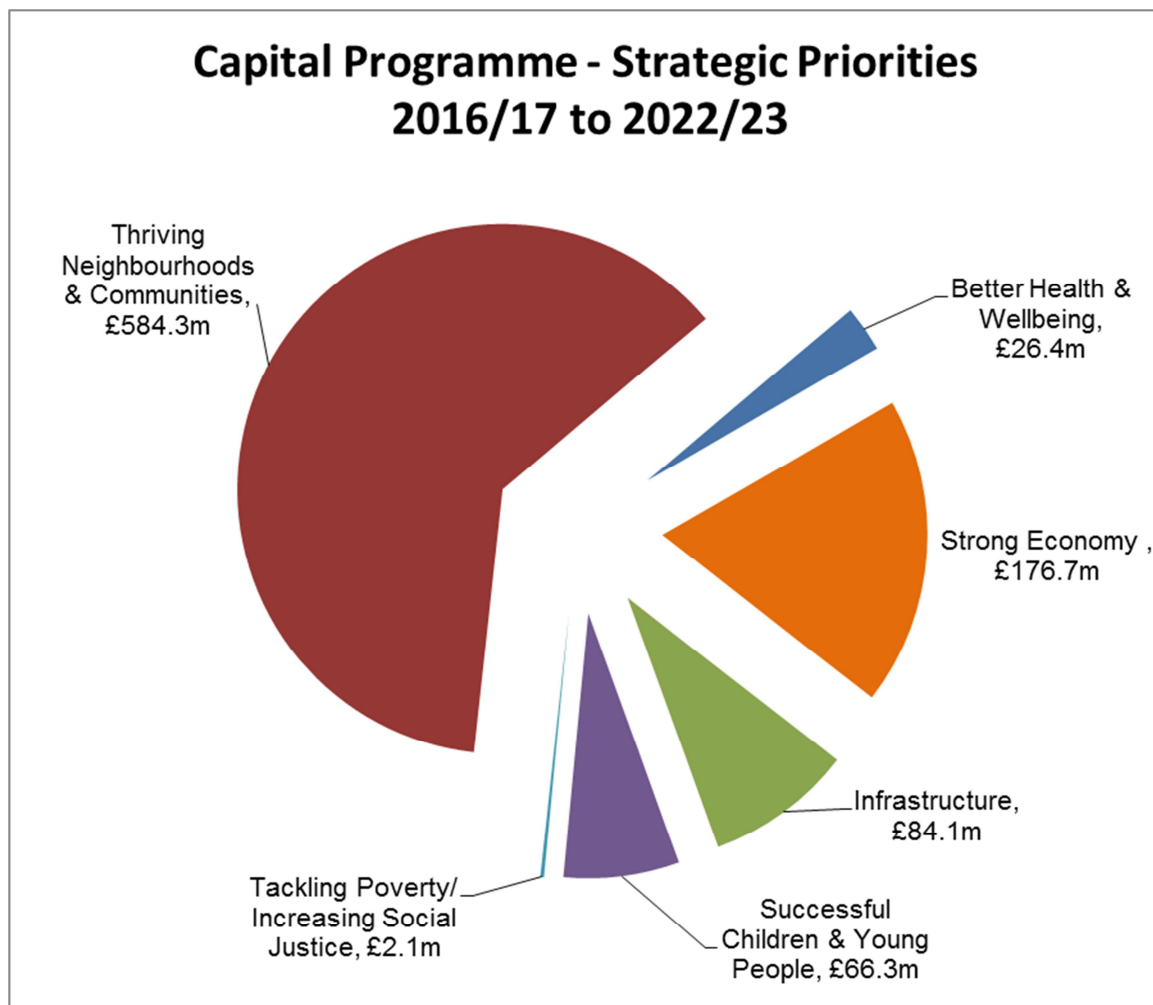
77. **Asset Enhancement Programme**. £1.2m will be invested in surplus council land to prepare it for development increasing its attractiveness so that it can be sold to generate a future stream of capital receipts which is vital to fund the Capital Programme. This programme will also assist other Council priorities such as developing new homes by releasing land for house building.

78. £3.6m investment in **Parks projects** including £1.6m Green and Open Spaces improvement programme funded by Housing Planning s.106 agreements and £600k to construct a new educational centre at the Botanical Gardens providing a facility for local children in particular to learn about nature. This development has been funded by a third party contribution.

### Strategic Priorities

79. Over the past two years the Council has adopted an alternative strategy considering the total investment across all service delivery portfolios in a particular area of performance (called a strategic priority) which is linked to the medium-term plan priorities. As stated in the Executive Summary, the current disposition of central government and external funding opportunities result in the capital programme principally supports the Thriving Neighbourhoods and Communities and Strong Economy priorities.

80. The graph below shows the allocation of investment by Strategic Priority. Individual projects are listed under each strategic priority at Appendix 10.





81. **Thriving Neighbourhoods and Communities** includes not just the Housing Programme but also investment in schools, sports and leisure facilities, parks, fit for purpose transport systems and road safety measures. These works are predominantly undertaken by the Housing and Place Portfolio programmes and are explained in greater detail in Appendices 6 and 7 8.
82. **Successful Young People** primarily reflects the investment in education assets to give children the opportunity of a good start in life. The School Places Expansion and Maintenance Programmes are the main components of this priority.
83. **Strong Economy** – Schemes contributing to this priority include the City centre regeneration schemes (New Development District and public realm improvements) plus some energy efficiency schemes such as the insulation of homes which contributes to the Council’s environmental objectives. The schemes are discussed in more detail in Appendix 8.
84. **Health and Well Being** outcome will see investment in information systems and ICT equipment to improve customer service and reduce operating costs, plus Housing programme schemes that help people to live independent lives in their own homes.
85. **Infrastructure** comprises mainly schemes associated with essential building works to extend the life of, improve or rationalise the Council’s building estate e.g. the Office Accommodation Efficiency Strategy, Asset Enhancement and Community Investment Plan. Investments are made to make Revenue Budget savings.
86. **Tackling Poverty and Increasing Social Justice** – £3.9m scheme to improve the local district heating system including the installation of meters in individual dwellings to give people the opportunity to control their energy usage and cost.
87. **Safe and Secure Communities** investment will provide local facilities like resource centres to develop more sustainable and cohesive communities.

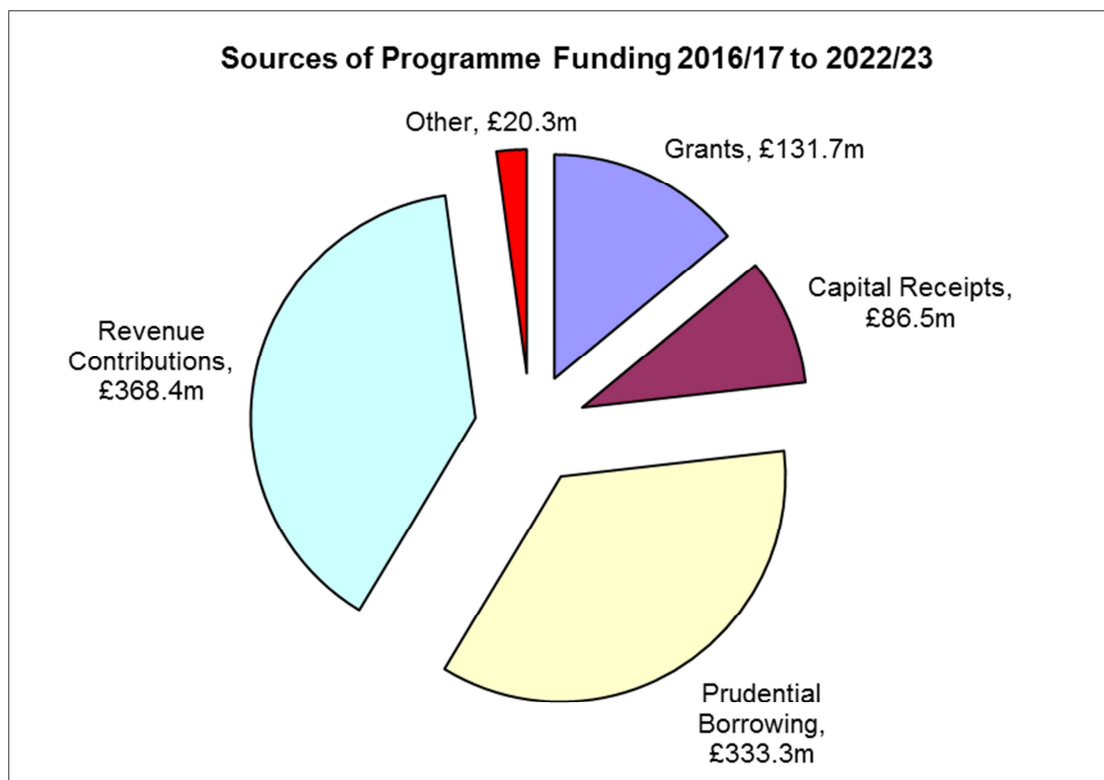
### **The Programme in 2017-18 and changes from 2016/17**

88. The CYPF programme will decrease from £30.7m to £21.9m reflecting the completion of Tinsley Meadows School in 16/17 and expansions at Gleadless Primary and Hallam. Three new schools at Bannerdale, Ecclesall Juniors and Woodside are under construction for completion in September 2018. During 2017/18 it is anticipated that further approvals to move the Woodside School from design to construction will add a further £20m+ to the programme.

89. The Communities programme is focussed on Housing. – key projects include continuing Roofing, Electrical replacement and increasing the stock of Council housing
90. The Place portfolio programme increases by £6m to £80.7m. There is a net increase in regeneration project spend of £32.7m as the SRQ office block is built out (£47.7m) offsetting the completion of the £10m investment in the Lightweighting centre and £5m spent on University of Sheffield public realm improvements in 2016/17. Lower Don Valley Flood defences spend will be £9.3m lower than 2016/17 as it is forecast to complete next year, and, the significant investment in sports facilities is also completed (£14.5m spent in 2016/17).
91. The Highways programme falls from £13.1m to £6.4m following the completion of the BRT North project (£4m) and several Better Buses projects (£0.7m). The remaining shortfall is accounted for the 17/18 Local Transport programme which is under development and not yet submitted for approval. The major programme in 17/18 will be the completion of the Chesterfield Road Key Bus Route from Heeley Retail Park to Queens Road funded by the Better Buses scheme.
92. The Resources programme comprises statutory compliance projects or essential works to keep Council buildings safe and “wind and watertight”. The programme falls from £15m to £1.8m due to the inclusion in 2016/17 of a one-off purchase of £5.8m of vehicles for the Housing repair insourcing project, £4.4m on the planned renewal work as the programme is yet to be brought forward for approval, a net decrease of £3.1m of Fire Risk Assessment work, and completion of the Office Accommodation Efficiency programme (£0.7m).
93. Further details on individual projects in the programmes can be found at Appendix 9.

## **SOURCES OF PROGRAMME FUNDING**

94. The programme details at scheme level, both the proposed expenditure and expected funding on an annual basis. The funding of the programme comes from a diverse range of resources and Appendix 2 gives a breakdown of how the overall Capital Programme is currently funded.
95. The majority of the programme is funded via revenue contributions to capital mainly from the Housing Revenue Account, which amount to (39 %). Prudential Borrowing funds 35% Grants fund 14% of the programme, and capital receipts represent a further 9% and it is this element of funding that is the most uncertain. Any projects in the Capital Programme funded by capital receipts can only be undertaken if the receipts are realised.



96. Grants funding is mainly used for the schools capital programmes and highways.

97. Prudential borrowing is used where no external funding is available and to fund schemes which will generate a Revenue Budget saving which then repays the principal and interest. The council can often borrow funds cheaper than its commercial sector partners because of its perceived higher credit rating. It makes sense therefore to inject such capital where there is a potential economic benefit.

## Capital Receipts Funding

98. The receipts from the sale of surplus assets are used to fund a Corporate Resource Pool (CRP) which allows Members at their discretion to undertake projects for which there is no external funding. It is also used by the authority as a strategic reserve to cover to emergencies such as the total loss of a key piece of infrastructure e.g. as occurred in the 2007 Floods. As external funding sources are reduced because of austerity cut backs, the CRP assumes an even greater significance in funding the Capital Programme.

99. Appendix 4 reviews the potential receipts and demands on the CRP over the next five years in order to form a view on the level of commitment which can be prudently made.

100. Whilst the Asset Enhancement and Community Investment programmes should deliver a steady stream of surplus properties, the uncertainty in the market suggests that the receipts may not be realised within five years. Moreover, the receipts from the CIP will be re-invested in the programme so that it does not require specific support from the Council.

101. Given the need to maintain a prudent level of reserve to mitigate infrastructure failures, grant claw back, or project overspends, the conclusion is that there is insufficient confidence to be able to recommend to Members that any CRP funded projects are approved beyond 2017/18.

## Other forms of Funding

### Prudential Borrowing

102. Under the rules of the Prudential Code, the Council has the power to finance Capital schemes using Prudential Borrowing (borrowing that does not attract financial support from the Government, which is also known as unsupported borrowing). The principles for entering into such borrowing were approved by Cabinet on 22 September 2004, and generally relates to 'Invest to Save' schemes, including Land Assembly and funding for major capital projects.

103. It remains the Council's view that it's best overall financial interest is served by substituting Prudential Borrowing for Leasing. It is considered that borrowing in lieu of leasing can be undertaken as an element of 'Invest to Save' (where it is considered to be more cost effective over the whole life of the asset when compared to Leasing), and can be contained within an overall annual limit established for such borrowing.

104. Included within the 2017/18 Capital Programme are the following amounts of prudential borrowing for projects funded in whole or part from prudential borrowing:

<b>Project</b>	<b>Total Project Value £000s</b>
New Retail Quarter	63,473
Street Ahead Capital Contribution	38,350
Leisure Facilities	12,173
Other misc schemes	2,087
<b>TOTAL</b>	<b>116,082</b>

105. Any amendments to these limits will be approved by Full Council and undertaken in line with the Prudential Code. There are other commitments outside of the capital programme and these are described in the Revenue Budget report.

106. Prudential Borrowing does not receive any government support and therefore if the Council enters into any prudential borrowing then it will incur additional Capital financing costs. Prudential Borrowing will only be entered into where it can be demonstrated that funding is available within the overall Council budget to meet the ongoing borrowing costs.

### ***New Homes Bonus Fund***

107. This fund which has been created out of two government incentive payments for building new homes (the New Homes Bonus) and reducing the number of long term empty properties. Council policy is to make this available for projects which improve the local housing or neighbourhood environment or assist in regeneration. This grant is now included within the Growth Investment Fund and is discussed at paragraph 42.

108. The grant is being used to provide infrastructure or clear derelict buildings to kick start developments at sites which have been unattractive to developers. Often this improves the neighbourhood through removing opportunities for anti-social behaviour as well meeting the Council's priority of providing new homes.

### ***Tax Increment Financing (TIF)***

109. This initiative was announced in September 2010. The principle is to allow the authority to borrow funds to undertake capital improvements in an area. The money would be repaid from increased tax revenues (i.e. business rates) in the area as land values rise as a result of the capital investment. This scheme has been used successfully in the United States over the last fifty years, often for major transport, infrastructure or regeneration projects.

110. A scheme to develop infrastructure required for the New Development District (also known as the New Retail Quarter) has been approved by H.M. Treasury. The borrowing will be repaid out of the anticipated additional rates revenue generated by the redevelopment of the city centre. The Council had previously been developing the NDD using a preferred developer but has agreed, by mutual consent, to dissolve the partnership. The Council is currently reviewing options for taking forward this important scheme.

### ***Community Infrastructure Levy***

111. This will supplement the current Section 106 (Town & Country Planning Act 1990) arrangements which fund many of the local neighbourhood facility improvements especially in Parks & Countryside as well as City Development Division. CIL allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed as a result of development. This includes new or safer road schemes, flood defences, schools, hospitals and other health and social care facilities, park improvements, green spaces and leisure centres.

112. The Council intends to use CIL to develop strategic infrastructure projects such as roads and schools e.g. it will be used to fund the development of the BRT North link.

113. The Council has developed its rating tariff and introduced the scheme from July 2015. Although at a very early stage of the new regime the current estimates predict annual revenues of £2m - £3m p.a. depending on the pace of development.

## **RECOMMENDATIONS**

114. It is recommended that Members note the specific projects included in the years 2016-17 to 2020-21 programmes at Appendix 9. Block allocations are included within the programme for noting at this stage and detailed proposals will be brought back for separate Member approval as part of the monthly monitoring procedures.

115. Note the proposed Capital Programme for the 5 years to 2020/21 as per Appendix 9.

116. Approve the Corporate Resource Pool policy outlined in Appendix 4 such that the commitment from the CRP is limited to one year and no CRP supported schemes are approved beyond 2017/18 unless explicitly stated. Further reports

will be brought to Members as part of the monthly approval process should the receipts position improve.

***Finance***

***February 2017***

## **List of Appendices**

Appendix 1 – Summary of Capital Programme

Appendix 2 – Breakdown of Capital Programme Funding

Appendix 3 – Monitoring Report for the 8 months ended 30 November 2015

Appendix 4 – Corporate Resource Pool (CRP)

Appendix 5 – Glossary of Terms

Appendix 6 – Housing Investment Programme

Appendix 7 – Highways Transport Programme

Appendix 8 – Regeneration Capital Programme

Appendix 9 – List of All Projects in Capital Programme by Portfolio

Appendix 10 – List of All Projects in Capital Programme by Strategic Priority



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**SHEFFIED CITY COUNCIL****CAPITAL PROGRAMME**

PORTFOLIO / SERVICE	2016/17		2017/18		2018/19		2019/20		Future		Total	
	£k	%	£k	%	£k	%	£k	%	£k	%	£k	%
<b>Children Young People &amp; Families (CYPF) consisting of:</b>												
Schools Programme	29,267	12	20,989	9	13,315	8	110	0	220	0	63,901	7
Other	1,439	1	952	0	-	0	-	0	-	0	2,391	0
	<b>30,707</b>	<b>13</b>	<b>21,941</b>	<b>9</b>	<b>13,315</b>	<b>8</b>	<b>110</b>	<b>0</b>	<b>220</b>	<b>0</b>	<b>66,292</b>	<b>7</b>
<b>Communities consisting of:</b>												
Housing	82,333	34	84,851	36	88,205	54	73,602	84	144,196	69	473,187	50
Other	325	0	-	0	-	0	-	0	-	0	325	0
	<b>82,658</b>	<b>34</b>	<b>84,851</b>	<b>36</b>	<b>88,205</b>	<b>54</b>	<b>73,602</b>	<b>84</b>	<b>144,196</b>	<b>69</b>	<b>473,512</b>	<b>50</b>
<b>Place consisting of:</b>												
Highway Maintenance Division	247	0	335	0	75	0	-	0	-	0	657	0
Transport Traffic & Parking Service	12,866	5	6,049	3	-	0	-	0	-	0	18,916	2
Development Services	416	0	330	0	-	0	-	0	-	0	746	0
Capital & Major Projects	786	0	124	0	-	0	-	0	-	0	910	0
Sheffield Retail Quarter	15,800	6	63,473	27	49,508	30	-	0	-	0	128,780	14
Culture & Environment	30,274	12	15,083	6	12,954	8	13,767	16	64,378	31	136,457	15
Creative Sheffield	26,145	11	1,595	1	-	0	-	0	-	0	27,740	3
Business Strategy & Regulation	1,149	0	-	0	-	0	-	0	-	0	1,149	0
	<b>87,684</b>	<b>36</b>	<b>86,989</b>	<b>37</b>	<b>62,537</b>	<b>38</b>	<b>13,767</b>	<b>16</b>	<b>64,378</b>	<b>31</b>	<b>315,356</b>	<b>34</b>
<b>Resources</b>	<b>14,977</b>	<b>6</b>	<b>1,826</b>	<b>1</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>16,803</b>	<b>2</b>
<b>Corporate</b>	2,400	1	0	0	0	0	0	0	0	0	2,400	0
<b>Streets Ahead</b>	27,182	11	38,350	16	0	0	0	0	0	0	65,532	7
<b>Overall Total</b>	<b>245,607</b>	<b>100</b>	<b>233,958</b>	<b>100</b>	<b>164,057</b>	<b>100</b>	<b>87,480</b>	<b>100</b>	<b>208,794</b>	<b>100</b>	<b>939,894</b>	<b>100</b>

**CAPITAL PROGRAMME FUNDING**

**Appendix 2**

SOURCE OF FUNDING	2016/17		2017/18		2018/19		2019/20		Future		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
<b>Revenue Budget Contributions to Capital</b>	64.9	26.3	68.2	29.3	68.7	41.9	55.1	63.0	111.5	53.4	<b>368.4</b>	<b>39</b>
<b>Prudential Borrowing</b>	68.1	27.6	116.1	49.8	62.5	38.1	13.8	15.7	72.9	34.9	<b>333.3</b>	<b>35</b>
<b>Grants</b>	79.5	32.2	30.6	13.1	15.3	9.3	2.1	2.4	4.2	2.0	<b>131.7</b>	<b>14</b>
<b>Capital Receipts</b>	21.7	8.8	14.0	6.0	16.1	9.8	15.3	17.4	19.4	9.3	<b>86.5</b>	<b>9</b>
<b>Other Capital Contributions</b>	11.7	4.7	4.2	1.8	1.5	0.9	1.2	1.4	0.8	0.4	<b>19.4</b>	<b>2</b>
<b>Community Infrastructure Levy</b>	0.9	0.4	-	-	-	-	-	-	-	-	<b>0.9</b>	<b>0</b>
<b>Overall Total</b>	<b>246.8</b>	<b>100</b>	<b>233.0</b>	<b>100</b>	<b>164.1</b>	<b>100</b>	<b>87.5</b>	<b>100</b>	<b>208.8</b>	<b>100</b>	<b>940.1</b>	<b>100</b>

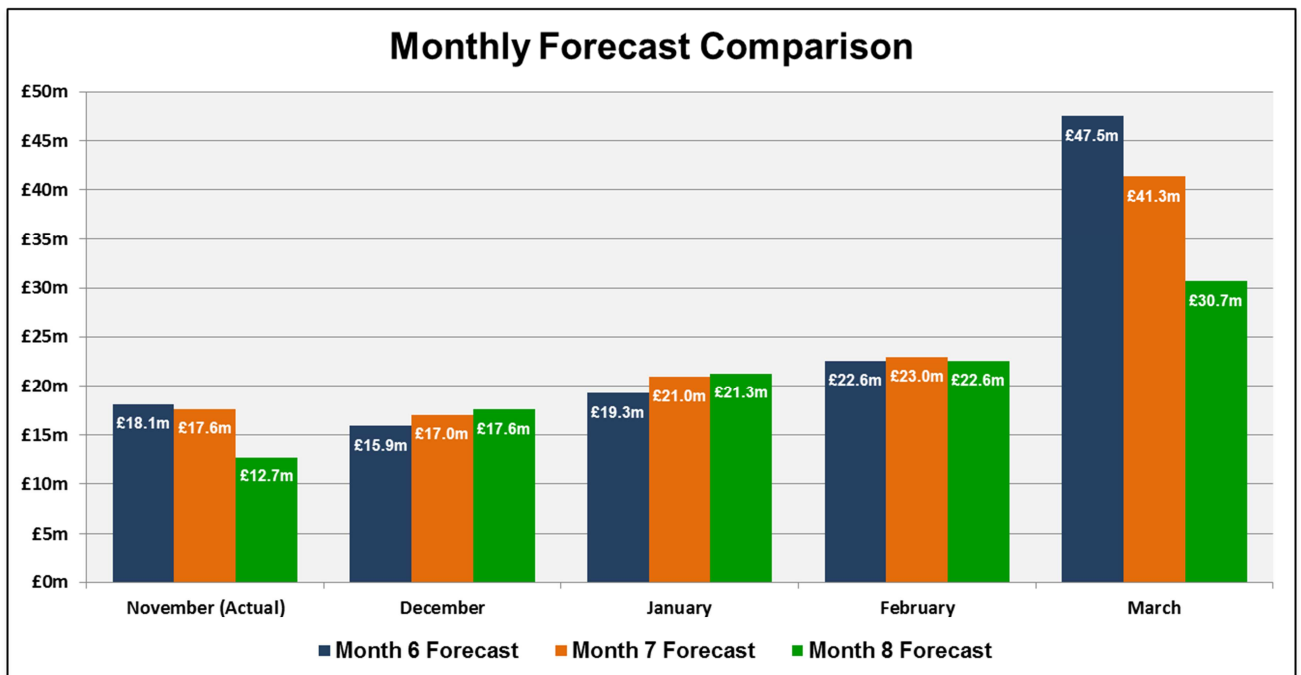
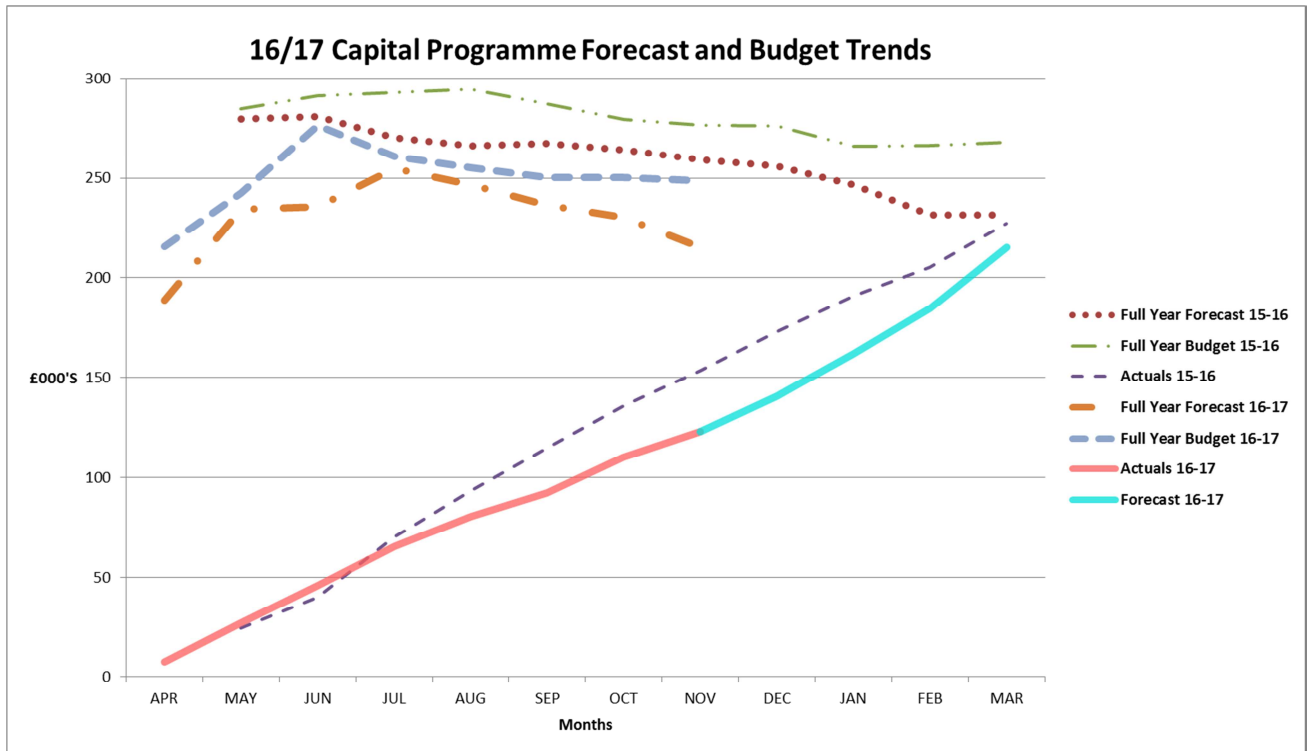
**CAPITAL PROGRAMME MONITORING AS AT 30<sup>th</sup> November 2016**

**Summary**

1. The forecast for 2016/17 has decreased by £15.1m on the Month 7 forecast to £215.1m. The Approved programme budget is £248.8m, so the current shortfall is £33.7m. This represents a slippage rate of 13.5% which is up from 8.0% at Month 6. The majority of the difference is in the Housing programme which is forecasting an underspend of £19.0m mainly arising on acquiring or building new council housing stock and refurbishment of existing properties, and, the Sheffield Retail Quarter project (£11.5m). The SRQ remains on track overall.
2. The table at paragraph 4 below shows that at Month 8, the year to date spend is £21.4m (14.8%) behind plan. The absolute variance has slipped £2.3m further behind in Month 8, predominantly in Housing (£3.0mW) offset by accelerated spend in CYPF programme (£1.9m B).
3. The upper chart at paragraph 5 shows that capital programme spend rates in 2016/17 continues to lag behind those seen in 2015/16 when the Outturn was £232m. The current forecast is £215.1m and the lower chart at paragraph 5 shows that the monthly level of spend in January to March needs to virtually double on that achieved in Month 8. However, the rate of increase required looks to be very optimistic. An Outturn around the £200m looks more likely at this stage.
4. **Financials 2016/17**

<u>Portfolio</u>	Spend to date	Budget to Date	Variance to date	Full Year forecast	Full Year Budget	Full Year Variance on Budget
	£000	£000	£000	£000	£000	£000
CYPF	15,325	17,292	(1,968)	22,577	24,227	(1,650)
Place	28,977	34,243	(5,266)	53,788	66,587	(12,799)
Housing	49,843	60,495	(10,653)	81,735	100,743	(19,008)
Highways	6,383	6,854	(471)	13,431	11,608	1,824
Communities	147	220	(73)	347	325	22
Resources	1,620	4,569	(2,949)	13,643	15,701	(2,058)
Corporate	20,648	20,648	(0)	29,582	29,582	(0)
<b>Grand Total</b>	<b>122,943</b>	<b>144,321</b>	<b>(21,378)</b>	<b>215,104</b>	<b>248,773</b>	<b>(33,670)</b>

## 5. Forecast trends



## 6. Capital Programme

### Capital Programme

	2016-17 £m	2017-18 £m	Future £m	Total £m
Month 7 Approved Budget	250.2	208.6	271.3	730.0
Additions	1.3	18.0	13.0	32.3
Variations	-2.7	-18.0	-10.6	-31.2
Slippage & Acceleration	0.0	0.0	0.0	0.0
Month 8 Approved Budget	<u>248.8</u>	<u>208.5</u>	<u>273.7</u>	<u>731.0</u>

The programme has increased by £1m to £731m following the approval of mechanical plant replacement in schools.

### PROJECT MANAGEMENT

7. From the start of this year the Council has introduced an improved system of reporting and monitoring project delivery. This will collect in one place, all project highlight reports which will be accessible to all users and, eventually, provide the basis for workflow driven meeting agendas for each stage of the Gateway Approval process. The progress of a project will be readily evident.
8. The table below shows the current level of performance. Of the 183 projects in the system, 95% of project managers have submitted highlight reports and just under 90% of these have been reviewed and approved by sponsors. Overall therefore, just over 85% of the projects in the programme have been reported on and reviewed by sponsors.
9. This is similar to last month's performance. Performance appears to be stabilising at this level.

10. The table below shows performance by Programme Board:

Outcome Programme Board	Reports Issued	Reports Completed	%	Reports Approved	%
Capital & Growth	29	29	100.0%	29	100.0%
Community Investment Programme	1	1	100.0%	1	100.0%
Housing Capital Programme	72	69	95.8%	69	95.8%
Resources Leadership Team	18	17	94.4%	17	94.4%
SRQ Board	4	4	100.0%	4	100.0%
Strong Economy	8	8	100.0%	5	62.5%
Thriving Neighbourhoods and Communities	59	54	91.5%	46	78.0%
Waste Management Board	1	1	100.0%	1	100.0%
<b>Total</b>	<b>192</b>	<b>183</b>	<b>95.3%</b>	<b>172</b>	<b>89.6%</b>

## Commentary

11. Appendix 6.3 summarises the Top 20 projects in the Capital Programme. This group accounts for 67% of the current 2016/17 budget. The key **forecast variances** from Budget at Month 8 include:

- Housing programme is forecasting to be £19.0m below budget by the year end. The majority of the slippage (£15.2m) occurs on the New Build Council Housing and stock acquisitions and repairs following previously reported contractor problems and a lack of suitable properties coming onto the market. The New Build project will be re-profiled in December to reflect the latest plans. Slippage is also forecast on Kitchen and Bathroom replacement programme (£1.3m), Electrical repairs (£0.8m) and Garage demolition (£0.8m).

- Place programme is forecast to be £12.8m below budget principally due to the Sheffield Retail Quarter which is £11.5m behind programme although the overall direction and progress of the scheme remains on target.
- The Highways programme is forecasting to be £1.8m above budget awaiting approvals of new schemes associated with the Better Buses programme.
- The CYPF programme is forecast to be £1.7m below Budget of which £1.1m is newly declared slippage on the Devolved Formula Capital scheme which is administered by schools. A further £0.7m is due to anticipated final costs being below the approved budget on several projects offset by a potential £0.5m overspend at Hallam. £0.5m of the £0.7m work at Aldine House Secure Unit is forecast to slip into 17/18 following a re-design of the accommodation.
- Resources programme is forecasting to be £2.1m behind budget on the Fire Risk Assessment work (£0.4m) and essential repairs at the Medico Legal Centre (£0.3m).

#### Year to date variance

- Of the £21.4m year to date variance, £5.3m and £10.7m is on the Place and Housing programmes respectively.
- In the Schools programme £2.0m below budget, £0.5m is due to cost savings on projects which have been procured at a lower cost, £0.7m on the schools expansion programme where the configuration of the programme has been reviewed as initial cost estimates are above the budget. This has delayed detailed design work. The residual variance is on the remaining schemes in the programme with variances of £0.1m to £0.2m per project.
- The Housing programme is £10.7m behind the plan at Month 8. The majority of the underspend (£7.0m) is on the New Build and Stock Acquisition/Repair for the reasons quoted above in the Outturn variance section This is offset by the Roofing and Windows replacement programme which is (£1.0m) ahead of plan following good progress during the relatively mild start to Autumn and a revised plan to complete the multi-year programme early.



- Place programme is £5.3m behind budget at Month 7. There are four principal variances on The Lower Don Valley Flood defence work (£2.1m), Olympic Legacy Park Infrastructure (£2.1m), Brookhill Public Realm works (£0.5m) and £0.8 on Parks service projects at Botanical Gardens, Parkwood Waste tip site and the General Cemetery.
- Resources Capital programme is now £2.9m behind principally on Fire Risk Assessment programme (£0.9m) and path resurfacing (£0.2m). Several other projects are each recording a £100k - £150k of slippage.

## Risks

12. There are several projects where the anticipated spend in 16/17 is significantly behind plan but the funding is secure to complete the work.
13. The Lower Don Valley Flood defences work is at risk of overspending. The unknown workload and novel nature of the design creates an inherent risk of overspend. This project is grant funded promising specific outcomes which could lead the Authority exposed to clawback or putting in its own funds. A review of this project is currently underway and has identified a number of proposals to reduce costs or attract new funding

## Finance

### November 2016

## CAPITAL PROGRAMME: CORPORATE RESOURCE POOL

### Overview

1. The Council's Corporate Resource Pool (CRP) provides a flexible capital resource pool to address key Member and Corporate capital priorities. Funding comes mainly from capital receipts arising from the sale of Council land and buildings plus other unrestricted capital income. The national programme of expenditure reductions has increased the importance of this facility as central government support has decreased.
2. In recent years officers have recommended that Members approve capital expenditure commitments for no more than one year in advance because the weak property market, and consequent low levels of capital receipts, put considerable constraints on the CRP creating a net reduction in the level of the pool year-on-year. Prior year commitments exceed the current annual level of receipts leading to a year-on-year reduction of the value of the reserve. Previously, CRP allocations had been set for three years forward to enable services to plan capital investment on a medium term basis.
3. Capital Programme Group (CPG) has reviewed the current position and recommends retaining the current policy in the face of the:
  - declining level of the CRP;
  - irregular flow of receipts from the disposals programme;
  - need to maintain the Council's infrastructure and provide for other capital contingencies such as structural failures or uninsured losses caused by natural disasters such as the 2007 floods.
4. The CRP is used to address funding issues that are not covered by mainstream capital resources. There is still central government funding for some types of capital projects and there are sources of external funding through grants e.g.
  - Department of Education funding for educational buildings through Capital Maintenance or Basic Needs Provision;
  - Department of Health funding for social care;

- Department of Transport funding for transport infrastructure through Local Transport Plan (LTP), Better Buses Funding initiative or The Local Sustainable Transport Fund; and
- The Housing Revenue Account (HRA) which funds a substantial part of the housing programme and already accounts for 39% of the current capital programme.

## Investment Rules for use of the Capital Resource Pool

5. Capital Programme Group has developed a series of principles to test the eligibility for CRP support for projects and these are set out below:
  - The project has no other available funding sources i.e. not from central government, internal investment funds e.g. HRA, or other grant funding bodies; and
  - is in line with corporate priorities; and
  - the project is necessary to make an asset compliant with legislation; or
  - the project has a robust business case which delivers financial savings or significant improvements in performance; or
  - is a strategic project which requires cash flow support until a funding package can be arranged. Funding for this type of project will be on an **exceptional** basis taking into account the current level of unallocated cash within the CRP. The project must be viable and capable of repaying the CRP within a reasonable time, for example, by generating asset sales. If the project does not proceed, any abortive project costs would have to be financed from the sponsoring portfolio's Revenue Budget.

## Key Issues for the CRP

6. In managing the CRP, the Council faces a number of key issues in respect of the demands placed upon the CRP and the likely level of future receipts:
  - Declining level of Central government support as the period of austerity continues which may require the authority to use its own resources to fund essential infrastructure
  - The need to maintain sufficient funds to match, at short notice, those available from external funders like the European Union, Heritage Lottery Fund, Sport England etc. in order to lever in funding to replace that lost from Central Government.

## The Strategy for Managing the CRP

7. The funding of the capital programme is managed by the Capital Programme Group (CPG) comprising senior officers from the Council's services. It makes recommendations to Members through the monthly Finance Budget Monitoring report.
8. Services are asked to propose projects which might use CRP funding. CPG then reviews those projects against criteria such as the economic social benefit of the project, the opportunity to use the CRP as "match" investment to win additional external funding, and ease of delivering the project and its risk profile.
9. Following this financial planning exercise, CPG will make recommendations to Members about those projects which offer best value and the extent and speed to which they can be funded. Those projects will then be developed and come forward for approval as part of the Council's capital approval process.
10. The rate of approvals can be regulated so that funds are released to projects as capital receipts come in.

### **Demands on the CRP**

11. In the exercise referred to above at paragraph 8, the requests from services for CRP funding totalled just over £67m over the next five years. Given the existing level of CRP funded commitments and the outlook on receipts, CPG recommends allocating a further £6.6m to future projects.
12. This allocation is used for financial planning purposes only and Members are not required to approve any of the projected schemes outside the Capital Approval process.

### **Receipts**

13. The next three years should see a considerable inflow of capital receipts as the Council's Asset Enhancement and Accommodation Efficiency programmes are completed. Many of these sales will deliver receipts worth over £2.5m per site. The precise timing of these receipts is difficult to predict being influenced by local market and national macro-economic conditions. This uncertainty is on top of the inherent risk in all property sales of buyers pulling out, procedural difficulties, ground contamination, searches etc. Further reports will be prepared for members as negotiations proceed and transactions are completed.
14. The final value realised will also depend on the application of the Council's Affordable Housing policy. Experience to date has shown that this can lead to a significant reduction in the forecast receipt.

### **Risks in the Programme**

15. Most of the specific risks arise from former capital schemes including:

- Uncompleted land transactions on the Inner Relief Road;
  - Uncertainty over realising the projected receipts from the asset enhancement and Accommodation Efficiency Strategy which are dependent on a sustained economic recovery in the property market; and
  - Potential delayed development of Broad Street development which will fund a small part of the new Indoor Market cost.
16. Moreover there is a general risk of any approved project within the programme overspending. Given the pressures on the Revenue Budget, the CRP will be the last resort for covering overspends.
  17. There are also a number of legacy issues relating to European funded projects where the Council has been adjudged to be non-compliant with grant conditions and suffered clawback.

### **Conclusion on the Funding of the CRP**

18. Recognising the uncertainty over the future stream of capital receipts, officers believe there is no argument to recommend to Members that the current policy of approving CRP funds for the capital programme only 12 months ahead is changed.

There is some improvement in the property market which should start to move sites but the rate and scope of asset realisation is likely to be determined more by the Council's own policies and performance.

## GLOSSARY OF TERMS and ABBREVIATIONS

Term	Name	Description
BBAF	Better Buses Area Fund	A fund to support the development of an improved bus service network which replaced the Bus Services Operators Grant (BSOG).
BB2	Better Buses Fund 2	The follow on programme to BBAF
BID	Business Improvement District	A scheme in which Non Domestic ratepayers pay a levy on the rateable values of their properties to fund additional services or developments.
BRT North	Bus Rapid Transit North	A major project to deliver dedicated road lanes for buses between Sheffield and Rotherham.
CIL	Community Infrastructure Levy	A levy on new development. The purpose of the CIL is to contribute to the cost of infrastructure (roads, schools etc.) needed to support commercial and residential development.
CPG	Capital Programme Group	The management group within the Council which develops and recommends to Cabinet the Capital Strategy for the Authority.
CPO	Compulsory Purchase Order	A statutory power to enable local authorities to purchase land in order to facilitate developments.
DfE	Department for Education	The central government department administering the national education policy.
DfT	Department for Transport	The central government department administering the national transport policy.
ERDF	European Regional Development Fund	European Community Funds available to finance key projects.
HRA	Housing Revenue Account	The specific Council fund where costs and income associated with the provision of council housing are collected. The fund provides a substantial contribution to the refurbishment of council owned properties.

LEP	Local Enterprise Partnership	A body comprising Local Authority and local business representatives which allocate capital funds to major economic and infrastructure projects.
LSTF	Local Sustainable Transport Fund	Introduced by Government to promote sustainable transport interventions that support economic growth whilst reducing carbon emissions.
LTP	Local Transport Plan	The capital programme to develop and improve transport links across the county. Funded from central government grant.
NDD	New Development District	An area in the City Centre designated for regeneration through the construction of offices.
NRQ	New Retail Quarter	The area of the City Centre designated for a revitalised retail offer
SCR	Sheffield City Region	A combination of local authorities (Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, North East Derbyshire, Rotherham and Sheffield) which jointly develop strategic infrastructure projects and economic policy within their combined geographic boundaries.
SCRIF	Sheffield City Region Investment Fund	Devolved funding from central government to be used to create key infrastructure for e.g. transport to promote and assist economic growth.
SRQ	Sheffield Retail Quarter	The programme to redevelop the retail offer in the city centre
SYITA	South Yorkshire Integrated Transport Authority	Established in 2009 to take the lead in developing transport policy across the county.
SYPTA	South Yorkshire Passenger Transport Executive	The organisation that takes the lead to develop the region's transport network and operates some transport facilities.
TIF	Tax Increment Financing	A scheme by which local authorities are given powers to borrow money to finance large scale infrastructure projects. The interest charge and borrowed sum are repaid using the additional local taxes created by the increased economic activity.

UTC	University Technical College	Academies for 14 – 19 year olds offering vocational training and education.
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## The Housing Investment Programme 2017/18 – 2021/22

### 1 Background

This report sets out the Council’s proposed investment in homes and neighbourhoods across the city. This investment plays an important role in contributing towards the delivery of the Council’s Corporate Plan priorities.

The investment within this report represents Housing and Neighbourhoods activity within the city and is complemented by other investment and delivery activity.

The Housing Investment Programme helps to underpin and deliver some specific elements contained within the Council’s 10 year Housing Strategy and other related strategies. This establishes three key objectives for housing in the City over the period 2013 - 23. These are:-

- Increase the supply of new homes in the city;
- Make best use of the city’s existing stock;
- Help younger, older and vulnerable people to live independently.

The activities contained within the appendices follow this format in order to clearly set out how the Housing Investment Programme is contributing towards the achievement of these objectives. As noted above, there are other investment activities that are being delivered both by the Council and by other partners that will deliver additional outcomes. Some of these sit outside the scope of this report.

This year’s proposed Housing Investment Programme totals £84.851m. The majority of this investment (£75.949m) will be invested in council housing, as part of the self-financing Housing Revenue Account (HRA) Business Plan 2017–18. This includes a commitment to deliver 1,000 new council homes through new build and acquisition by 2019/20.

***Table 1: Split of Investment HRA / Non HRA***

The remaining £8.902m will be invested in non-HRA activity, as detailed within this report. The non-HRA activity remains at a level which is small by comparison to the overall programme. A priority continues to be exploring alternative options for funding or service delivery within the non-HRA areas.

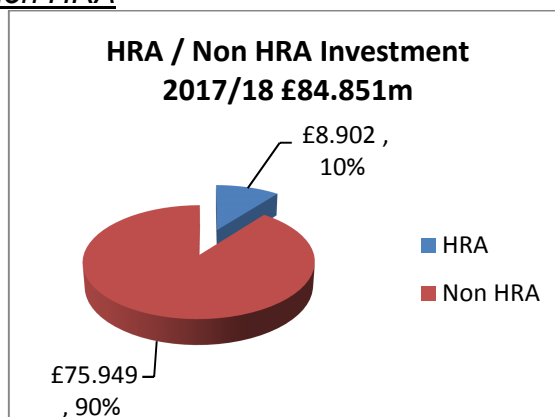
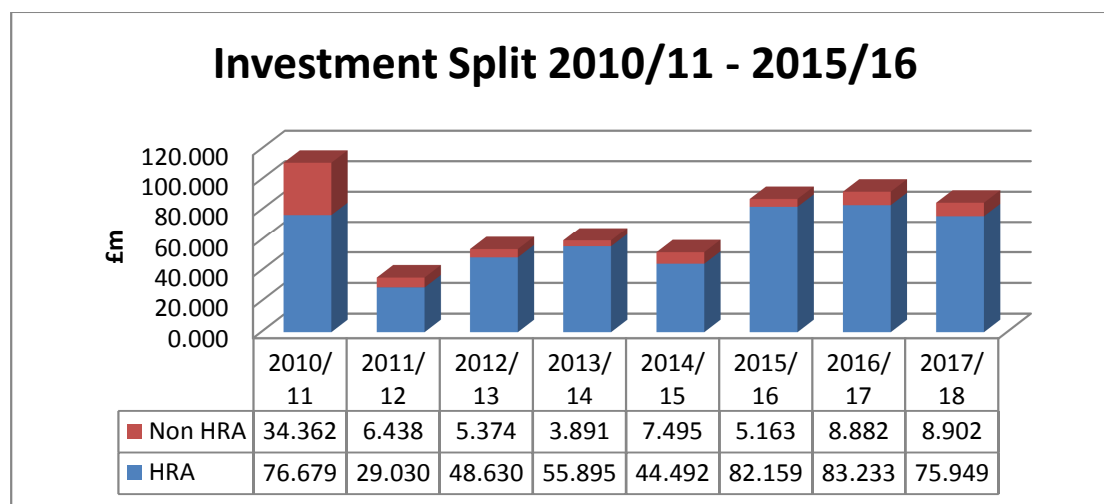




Table 2 details the level of investment split over the HRA and Non HRA activity over an eight year period.

Table 2: 2010 – 2018 HRA / Non Investment



Achievement of housing growth in the City of Sheffield is critical in order to meet the priorities of the Corporate Plan. Sheffield City Council is consulting on a new Local Plan which sets out the rationale for the numbers of new homes required to meet the Sheffield City Region economic growth ambitions. The Council is about to publish a new Housing Strategy to set out the Council's housing objectives and priorities, which states our intentions to build over 21,000 new homes in the next 10 years. To support this priority, the Council has developed a new Housing Growth Delivery Plan.

This year the Council has submitted a number of capacity funding bids to Government, including the Housing Zone, Starter Homes Land Fund, Garden Villages and Estate Regeneration. The Housing Zone initiative has great potential to optimise Brownfield site opportunities, support some exciting new development initiatives already on the ground, and enable the development of this part of the city centre as a 'sustainable neighbourhood of choice'.

The Council has reviewed its Governance arrangements, and a new Housing Growth Board has been established. The Board is chaired by the Cabinet Member for Transport and Infrastructure and attended by the Executive Director for Communities. Further to the revised Leaders Scheme of Delegation will help to ensure that the Housing Growth Board has streamlined decision making processes for activity and investment relating to the priority pipeline of sites which are identified in the Housing Growth Delivery Plan.

## **2 Review of what has been achieved in 2016/17**

### **Increase the supply of new homes in the city**

#### **Non HRA activity**

- Shop front improvements to 130 properties in the Sharrow / London Rd District Centre as part of the Successful Centres Programme.
- In Attercliffe, the “Town Team”, part formed by the Council, continues to meet and plan for the centre. Information boards have been procured and currently being installed strategically round the centre giving information about the businesses and also heritage.
- Approval given and development work has begun for a shop front improvement scheme at Manor Top to deliver improvement work to 28 properties.
- Registered Providers delivered 185 new affordable homes in the city. Sheffield Housing Company has completed all of the 293 homes planned in Phase 1. Of the 293, 104 new homes have been completed at Norfolk Park, with a further 142 new homes at Parson Cross. The third site, comprising 47 new homes built on a series of infill plots in Shirecliffe, was completed in 2015.
- As of September 2016, 17 new homes have been built in Parson Cross as part of SHC’s Phase 2 development. It is anticipated that by the end of March 2017 SHC will have built of total of 67 of the planned 478 new Phase 2 homes- across Parson Cross, Norfolk Park and Fir Vale.
- It is expected that planning permission will be submitted in relation to Sheffield Housing Company’s phase 3 developments in Manor and Norfolk Park (333 new homes)

#### **HRA activity**

- A contractor has been procured to deliver 38 new build council houses in the south east of the city.
- All remaining residents at Arbourthorne Fields have been matched for re-housing, with one owner-occupier remaining still to agree terms.
- 3 homes have been acquired as part of the Long Term Empty Purchase and Repair Scheme between April – Oct 2016, and 46 general acquisitions have been completed in the same period.

#### **HRA and Non HRA activity**

- At least 100 long term empties were brought back into use between October 2015 and October 2016.

## **Making the best use of the city's existing housing stock**

### **HRA Activity**

- 1,700 council homes fitted with new efficient central heating systems.
- Completed the programme to install individually metered communal heating systems with a further 1,335 homes.
- Upgrading the district heating network which has resulted in savings to over 2,000 households, (6,000 over a three year period, resulting in lower heating charges.
- Carried out essential Health & Safety improvements such as lift maintenance and asbestos management.
- The completed the fire safety improvements project to low rise flats & maisonettes with a further 6,000 homes completed.
- Completed the Installation of 1,276 smoke alarms in sheltered schemes and hard wired alarms in Deer Park Tower Blocks.
- Installed adaptations to nearly 500 homes to support people to continue to live independently in their home.
- The provision of recycling facilities to 250 blocks of flats & maisonettes across the city.
- Completed the programme of flat roofing completing a further 1,400 properties.
- Delivered new pitched roofing and roofline works to over 5,500 homes.
- Carried improvements in Communal Areas to nearly 800 blocks of flats.
- Completed work to replace kitchens and bathrooms to around 800 properties.
- Completed work to renew windows & doors to around 800 properties.
- Started the demolition of garages as part of the wider garage strategy.
- Continued the demolition programme for the 5M properties at Arbourthorne.
- Completed the demolition of Sweeney House sheltered scheme at Stocksbridge.
- Started the procurement of a contract to deliver the electrical strategy across the city.
- Started procurement of the contracts to deliver improvement works to garages.

## **Helping younger, older and vulnerable people live independently**

### **Non HRA Activity**

- Reduced hazards in 75 private sector homes where people with “vulnerable health” conditions live
- Made 475 private sector homes safer by taking action including carrying out works in default to deal with category 1 hazards or conditions prejudicial to health.
- Reduce the impact on neighbourhoods by carrying out enforcement works to repair or improving the appearance of 30 empty homes.

- Bring 10 long term empty homes back in to use by taking enforcement action or using the threat of enforcement action; This includes possible Compulsory Purchase Order, (CPO), action at an average cost of £80K and take over the management of, refurbish, and let 2 empty homes per year at average cost £30K.
- 75 low income home owners assisted to improve their homes with Minor Works Grants
- Exposures to hazards have been removed / reduced in 350 private rented homes.

### **HRA and Non HRA Activity**

- 861 homes both in the council and private sector received adaptations to enable people to remain in their homes, (483 Disabled Facility Grants and Public Sector 500 Adaptations
- Installed 1,276 hard wired smoke alarms within each of the sheltered schemes which is linked to South Yorkshire Fire & Rescue via a monitoring station.

## **3 The key targets for 2017/18**

**Increase the supply of new homes in the city                      16.234m**

### **Non HRA Activity**

- Deliver shop front improvement scheme to 28 properties at Manor Top.
- Deliver support to district and local centres which have not yet been part of the Successful Centres Programme. Development work currently being undertaken to establish the best approaches for specific centres based on their current condition.
- Work with RP partners in the city to deliver up to 114 homes as part of the Affordable Homes Programme.
- Continuation of Sheffield Housing Company's, (SHC), Phase 2 housing developments across 6 sites in Norfolk Park, Parson Cross, Fir Vale and Manor. All of the Phase 2 sites have now been transferred over to SHC ownership.
- It is expected that SHC's phase 3 developments in Manor and Norfolk Park (333 new homes) will have started
- SHC will also be seeking to undertake pre development and design work on Phase 4 (currently scheduled for 322 new homes) with a view to obtaining planning permission for the majority of these sites in summer 2017. Phase 4 comprises 7 sites in Granville, Norfolk Park, Parson Cross and Shirecliffe.
- Bringing another 100 long term empty properties back into use between October 2016 and October 2017.

### **HRA Activity**

- Complete remaining demolitions at Arbourthorne Fields
- Completion of 38 new build council houses.

- Continuing to work on developing plans and building new council homes for both general and specialised use, including schemes to support older adults and those with learning disabilities.
- Purchase 7 LTE properties as part of the purchase and repair scheme and 80 general acquisitions.

### **HRA & Non HRA Activity**

- Work is on-going / progressing on the Housing Growth Strategy with the intention supporting the delivery of 40,000 new homes over the next 20 years.
- Continued development of Park Hill.

### **Making the best use of the city's existing housing stock      £63.895m**

#### **HRA Activity**

- Continue to complete heating works to properties where access could not previously be gained as part of the Obsolete programme or where the boiler has become 15 years or older.
- The continued delivery of the pitched roofing & roofline programme to a further 6000 homes.
- Complete the provision of waste recycling for facilities completing a further 80 blocks.
- Continue to deliver the Low Rise Communal Area upgrades to over 600 blocks.
- Continue to deliver kitchen, bathroom window & door upgrades to around 2000 properties.
- Start the delivery of the electrical strategy to upgrades to around 5000 properties.
- Procure contracts to start the external wall insulation of non-traditional houses.
- Continue to complete adaptations work at homes where work is identified as being required.
- Start of programme of works to remove asbestos containing materials to properties identified as medium risk.
- Continue to carry out essential Health & Safety works such as lift maintenance, electrical upgrades and asbestos management.
- Complete the demolition of garages identified through the garage strategy and start the delivery of improvement works
- Develop a programme of work to respond to H&S environmental issues on estates.

## Helping younger, older and vulnerable people live independently

**£4.722m**

### **Non HRA Activity**

- Make private sector homes safer by taking action including carrying out works in default to deal with category 1 hazards or conditions prejudicial to health in 450 homes.
- Reduce the impact on neighbourhoods of empty homes by carrying out enforcement works to repair or improving the appearance of 35 empty homes.
- Bring 12 long term empty private sector homes back in to use by taking or threatening enforcement action and use of voluntary empty property management orders. The enforcement includes potentially 4 properties being subject to CPO action.
- Reduce hazards in 100 private sector homes of "health vulnerable" people whose health conditions and health outcomes are prejudiced by exposure to hazards.
- Carry out a feasibility study for the introduction of a Council run property management service based in the Page Hall area to support landlords and tenants in sustaining viable tenancies. Reducing the negative impact on the community of poorly managed private rented dwellings, creating confidence in the rental market and encouraging empty dwellings back in to use.
- Implementing and consolidation of the assessed enforcement approach in 3 proactive area based proactive enforcement programmes in Page Hall Voluntary Area, Darnall and Abbeydale Road corridor.

### **HRA & Non HRA Activity**

- 775 homes both in the council and private sector received adaptations to enable people to remain in their homes, (325 Disabled Facility Grants and Public Sector 450 Adaptations).



## 4 The 2017/18 Housing Investment Programme

In total the council expects to invest £86.144m, (excluding any further slippage from the Month 8 forecast), through this programme in 2017/18 as set out in Appendix 6b and 6c. The source of these funds is set out in Appendix 6a. This sum will increase as some projects will carry over both funds and work commitments from 2016/17 into 2017/18; the level of slippage is currently forecast to be in the region of £6.600m.

Investment in the housing stock has delivered benefits to both the council and the wider community:-

### *Savings on procurement*

Almost £11.0m of savings have been achieved through efficiency savings as a result of external procurements since 2012, the main contract savings were on:-

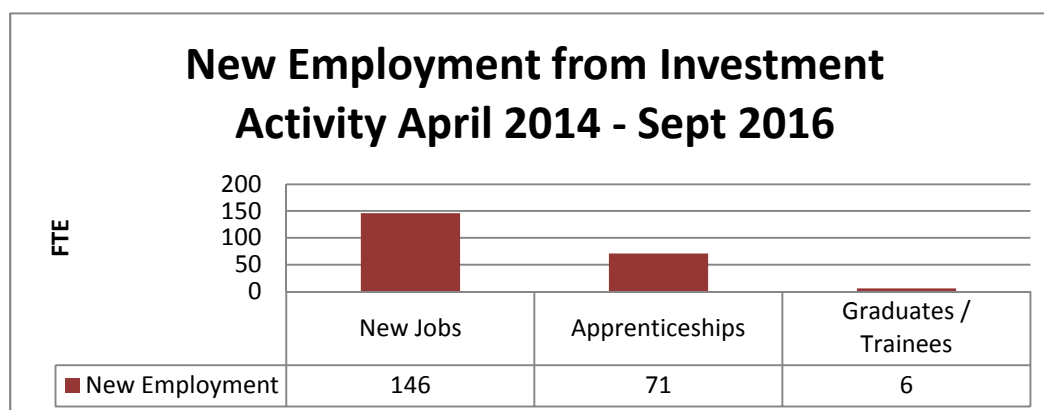
- Adaptations and Associated Work savings of £0.922m,
- Balfour House Refurbishment savings of £0.588m,
- Investment Projects Elemental Programme savings of £2.984m
- Housing Demolition Programme savings of £2.252m.

### *Employment and Training benefits since 2014*

#### Employment

- new jobs created 146,
- 71 people benefiting from apprenticeships, (project initiated),
- 6 graduates / trainees.

Table 3: New Employment April 2014 – October 2016

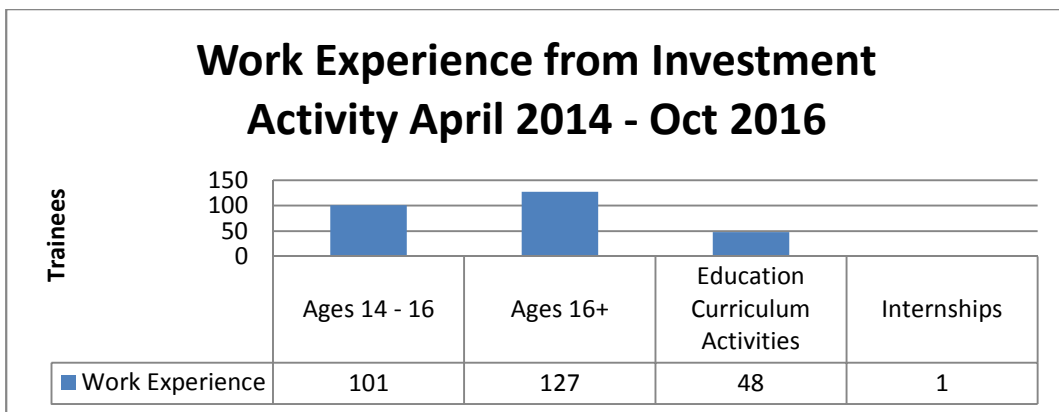


#### Work Experience

- in total 228 people have benefited from work experience, some securing apprenticeships or new jobs,
- 48 have benefited from Educational Curriculum Activity,

- 1 internship created.

Table 4: Work Experience April 2014 – October 2016

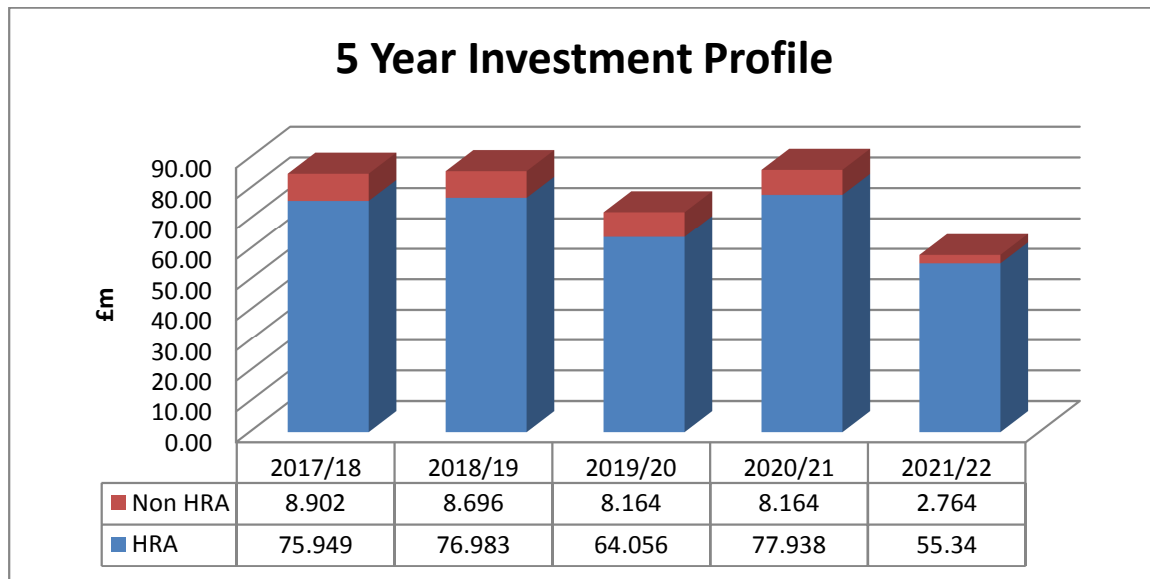


### *Tenant Engagement*

Programmes of investment have been agreed with tenants through extensive consultation at the following forums:-

- HANAP – Housing & Neighbourhoods Advisory Panel,
- Investment, Repairs & Environment Service Partnership Group,
- Local Area Housing Forums,
- Local Estates & Investment Service Forums,
- Project specific Task & Finish Groups,
- Yearly cycle of City Wide Forum consultation events.

Table 5: 5 Year investment Profile 2017 - 2022

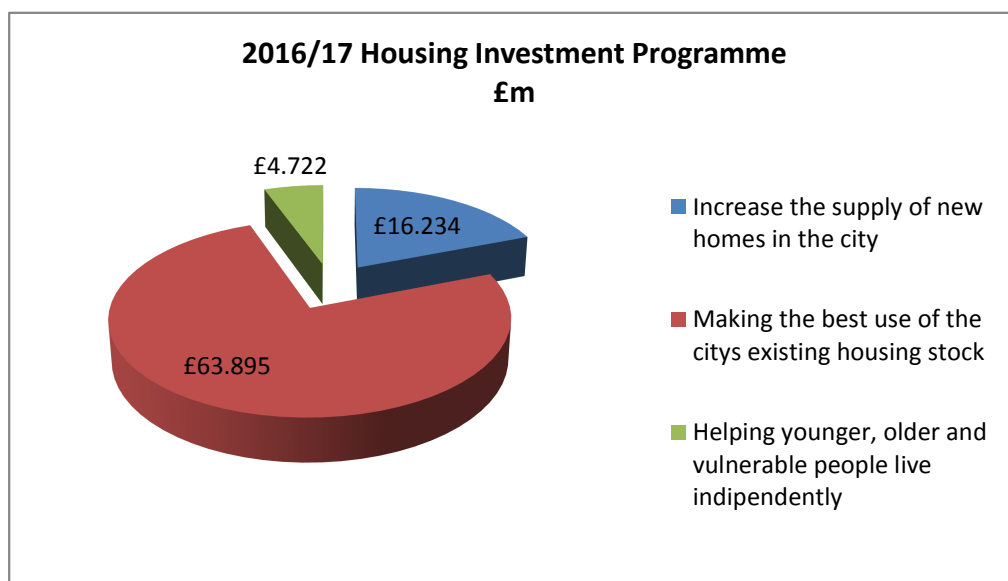


Investment has been prioritised in line with the three key objectives outlined below (Table 4):

Increase the supply of new homes in the city,	£16.234m
Making the best use of the city's existing housing stock,	£63.895m
Helping younger, older and vulnerable people live independently.	<u>£ 4.722m</u>

**TOTAL** **£ 84.851m**

Table 6: Three Key Objectives



As set out in previous year's Housing Investment Programme Cabinet Report, there has been a significant reduction in the funding available for regeneration and private sector housing interventions.

This limits the scope of activities that the council can undertake and has required a change in the way the council operates, to see greater emphasis on working closely with our partners to influence their investment decisions and deliver change and investment. We are also utilising New Homes Bonus through the Housing Growth agenda to deliver regeneration outcomes and to increase housing growth.

## **5 Increase the Supply of New Homes in the City £16.234m**

### **Housing regeneration and housing supply,**

The Council is committed to increasing the supply of homes in the city, and has secured resources from a variety of sources to achieve this. The main sources of funding for housing growth are from income from the sale of assets and through HRA "borrowing headroom". Additional funding comes from contributions from Homes & Communities Agency, (HCA), and New Homes Bonus, (NHB).

The New Homes Bonus Scheme is now entering its seventh year; by the end of March 2017 the council will have received £32.514m of income in the first six years. The scale of the future income expected from this scheme can only be estimated, as it depends on the numbers of new homes built, the number of empty homes in the city and the number of properties demolished, and, above all, Government policy,

but it is estimated that there will be an additional £9.332m of New Homes Bonus 2017 to 2019.

On 25<sup>th</sup> November 2015 the Comprehensive Spending Review and autumn statement set out plans to reform the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. Details of how this reform will affect the New Homes Bonus income assumptions moving forwards are currently being modelled. It is anticipated that the future income may be significantly reduced, but this has not yet been confirmed by government.

The council has approved the use of these resources for projects aimed at creating housing, regeneration and economic growth within the city. A strategy has been developed aimed at delivering this growth, bringing long-term vacant homes back into use, supporting wider regeneration to improve the quality of life for residents in our neighbourhoods and encouraging private investment in building new homes.

The schemes which are currently funded or part funded from New Homes Bonus are set out below:-

- Empty Property Loans
- London Road Shop Fronts
- Manor Top Centre

The New Homes Bonus Programme for 2017/18 is £3.147m; this is broken down by capital of £1.055m and revenue of £2.092m, this report only covers the capital element of £0.390m within the Housing Investment Programme.

The “Long Term Empty Purchase and Repair” scheme, which brings long term empty properties back into circulation through the HRA, the level of investment in acquisition and new build is £17.861m of which the HCA contributes £0.020m per property and a contribution for staffing and project support.

### **SCC Stock Increase Programme**

The Stock Increase Programme was approved by Cabinet in 2013/14 with the aim of increasing the number and quality of affordable houses in the city. This is through both new build (general needs and supported housing) and purchasing suitable properties to add to the Council’s housing stock.

Over time, the target number of new build units and acquisitions has changed in response to funding and strategic priorities. By the end of 2016/17 315 acquisitions and 51 new build properties will have been delivered since the start of the programme. 2017/18 will see the delivery of 55 acquisitions with a further 159 acquisitions and 420 new build properties being delivered by 2021.

## **Sheffield Housing Company**

Sheffield Housing Company's (SHC) Phase 1 development comprises of 293 new homes spread across three neighbourhoods. The Phase has now been built out with all properties either bought or rented out. SHC has supported 39 apprentices to date in addition to working with many local businesses as part of their supply chain, with 70 new jobs created. SHC has now submitted a further 5 planning applications for 478 new homes on 5 more sites across the city as part of its Phase 2 development. Phase 2, which is currently underway, will deliver more new homes being built in Parson Cross, Norfolk Park, Manor and Fir Vale. Before the end of 2016/17, SHC plans to submit further planning applications for two sites in Manor and Norfolk Park (delivering a further 333 new homes) as part of Phase 3. Pre development work is also scheduled to begin on 6 further sites as part of Phase 4.

In 2017/18 the council will continue to be an active partner in the Sheffield Housing Company and enable the delivery of new high quality homes and maximise its impact on the regeneration and economic growth of the areas of the city in which it operates.

### **Investment in new affordable homes**

The Homes & Communities Agency (HCA) has provided funding for new affordable housing through the Affordable Homes Programme (AHP) and the Affordable Homes Guarantees Programme (AHGP). It has recently launched the Shared Ownership and Affordable Homes Programme (SOAHP).

Local Registered Providers (RPs) secured £7m funding from AHGP 2014/17, which together with RPs' private funding represents approximately £27m of investment. 139 homes were completed through this route during 2016/17 including:

- Regeneration schemes at Wybourn
- Older persons housing at Jordanthorpe

Local RPs also secured approximately £5.5m Homes & Communities Agency, (HCA), grant funding from the first tranche of the 2015/18 AHP. 46 new homes for older people were completed at Shiregreen in 2016/17. A further 164 homes are due to be completed in 2017/18 including:

- Regeneration schemes at Arbourthorne, Hyde Park, Beighton and Manor Park
- More older persons housing at Shiregreen

The SOAHP 2016/21 is now in place and we expect bids from local RPs for Sheffield sites in 2017.

## Capital for Housing Improvement and Regeneration

### Programme Management

**£5.696m**

The staffing and professional support services costs incurred in the planning, management and delivery of the programme and the council will continue to make residual contributions to past social housing projects.

### Essential Health and Safety

**£0.025m**

This includes a budget for emergency demolition of houses and garages.

### Regeneration

**£10.217m**

#### *Council Housing New Build*

Phase 1 of the New Build Council Housing project has been completed with 33 homes at Darnall and a further 18 on the Manor. Phase 2 comprises 38 homes on the Weakland estate at Birley and is due on site in Spring 2017 with completion in Spring 2018.

Approximately 380 additional units are planned in later phases including schemes for older people and people with learning disabilities.

#### *Long Term Empties Purchase and Repair*

The Long Term Empty (LTE) Purchase & Repair scheme will deliver 45 properties over 3 years as part of the wider stock increase programme. This is part funded by the Homes & Communities Agency as part of the HCA's Affordable Homes Programme 2015/18. The properties will be acquired, refurbished and the added to the council stock for social housing. The properties must have been empty for 6 months or more to qualify for purchase, they must be financially viable for the council to acquire and be in areas where we have demand for housing. So far the LTE Purchase & Repair scheme has acquired 30 long term empty properties out of the 2015-18 target of 45 properties.

## **6 Making the best use of the city's existing housing stock**

**£63.895m**

### **The review of the Housing Revenue Account (HRA) Business Plan**

The Housing Investment Programme contained within this report sets out the investment in council homes over the coming year, as part of the 30 year self-financing business plan. A separate report updating the HRA Business Plan for 2017/18 was agreed by Cabinet on 13th January 2017. The plan incorporates anticipated income and projected expenditure for 30 years and sets the long term direction for council housing investment and services in Sheffield.

## **Heating & Insulation**

**£2.153m**

There are boilers remaining across the city that are classified as obsolete and need replacing. The backlog of obsolete heating has been tackled systematically since 2009 and should see the completion of the original Obsolete Heating Programme. In 2016/17 there was significant investment in renewing Obsolete Heating systems. This has reduced the cost of responsive repair breakdowns and benefited tenants by providing affordable warmth and tackling fuel poverty. There have been difficulties gaining access to some properties however the scheme is still progressing in 2017/18 and beyond. Following the completion of the Obsolete Programme the priority will be to ensure that all heating systems that are older than 15 years are renewed and that this cycle of replacement is maintained.

The breakdown element of the project includes renewal work to the social housing stock for which the landlord has an obligation. The project will provide a responsive service to customers who experience a boiler breakdown. This is more likely to be on boilers that are old and obsolete but as this is on a responsive basis address lists cannot be determined. The number of boiler breakdowns has reduced over the previous year as a result of the planned Obsolete Programme therefore the budget for 2015/16 has been reduced to £0.800m.

There is a budget of £1.353m for the continuation of the scheme to install cavity & loft insulation to homes that have not had this work completed and for the contracts to start for the external wall insulation of non-traditional houses.

The capital investment in the district heating scheme and particular the installation of heat meters over the last 3 years has meant that customers (both tenants and home owners remaining on the system after RTB) are making significant savings on their district heating bills.

Households now have greater choice on the amount of heat they take and therefore the size of their energy bills. On average our district heating customers are saving around 38% compared to what they paid previously under the fixed weekly charge under an unmetered supply under the. This is really excellent news for customers and for the Council too. As customers are using less, significant costs saving (along with the lowering carbon omissions) are also being achieved relating to the gas it has to purchase to fuel the district heating network.

## **Essential Investment Work (Health & Safety)**

**£1.183m**

Minimising fire risk in blocks of flats, this has become a regular item of expenditure following the fire at Lakanal House, Camberwell in London in July 2009. Risk assessments for all archetypes in the city were carried out and a programme has been underway for a number of years on low rise flats to deal with all identified risks as part of an agreed plan with the South Yorkshire Fire and Rescue Service. All future improvements will be tackled based on level of risk. Other Health and Safety work includes lift maintenance and replacement, electrical re-wires, asbestos management, and fire sprinkler systems, in a 5 year programme.



## **Elementals Programme**

**£55.026m**

The following activity is included within the Elemental Programme:-

### **Kitchens, Bathrooms, Windows & Doors      £12.200m**

This programme of work will continue to address the backlog of homes that did not have all elements of decent homes works or only had partial works completed. These elemental programmes will be delivered separately and will be delivered in two stages. The first stage will complete work to homes that had no work carried out during the Decent Homes Programme. Stage 2 will complete elemental work those homes that only had partial work completed during the Decent Homes programme.

### **Communal Areas Investment                                  £8.509m**

A programme of communal area refurbishment for low rise flats is on-going, this started on site in 2015/16. This work is complementing the decent homes work in the city and helps improve the sustainability of blocks. This is been done by refurbishing all blocks in the city to a consistent standard. Each block will where practicable have a secure communal door or door entry system, double glazed windows in the communal area, provide a well-lit communal area and floor finishes that are safe and can be easily cleaned. The extent of work in each block will be determined through site surveys in conjunction with local priorities.

### **Electrics    £7.866m**

A budget has been set for electrical work this will develop and deliver the future strategy and approach for electrical installations in the Council Housing stock. Many upgrades of systems were carried out as part of the Decent Homes programme particularly around the kitchen/bathrooms work however electrical installations to blocks and remaining parts of properties have not been invested in. A programme needs to be brought forward to deal with this backlog of work.

### **Roofs and Externals    £22.768m**

This work includes replacement of flat and pitched roofs, rainwater goods and external fascia's/soffits in order to protect the substantial investment in the internal fabric that the Council has made in the stock since 2004/2005; it will also enhance the appearance of neighbourhoods. Investment in the external fabric also provides an opportunity to generate savings to the revenue repairs budget by a planned programme of replacement rather than carrying out expensive individual responsive repairs and external painting which involves the use of scaffolding equipment and working at height. Work began in 2014/15 and will be completed in 2019/20.

### **Waste/Waste Management Improvements                                  £1.246m**

This project will include completing recycling facilities provision to blocks of flats in the city which require specific facilities. It is also anticipated that some bin chute

closure work will be undertaken alongside this recycling work at some maisonette blocks which will provide a complete waste disposal solution.

**Garages** **£2.437m**

Investment work will continue on garages and garage sites from 2015/16. Investment of almost £4m is proposed over a 4 year period to 3,402 garages. 1291 garages and garage sites are not sustainable and it is proposed that these garages are demolished. This will secure the viability of garages for the long term and may offer sites for new council house development.

**Miscellaneous Schemes** **£2.383m**

There are several miscellaneous schemes for Lansdowne and Hanover cladding and Non Highways Responsive Work

Lansdowne Area Investment Environmentals	£0.095m
Non-Highways Other Planned Elementals	£0.020m
Other Planned Elementals	£2.268m

**Programme Management & Capital Management Fee** **£3.030m**

The staffing and professional support services costs incurred in the planning, management and delivery of the programme.

**Private Sector Housing Empty Properties** **£0.120m**

The Council needs as a last resort to be able to take action to reduce the impact that empty properties have on the neighbourhood by serving enforcement notices and carrying out works when owners are non-compliant. Debts created can give rise to enforced sale procedures which lead to a change in ownership as a precursor to return to occupation. CPO action is also sometimes warranted.

Empty property management orders are an enforcement tool and also a voluntary method whereby the Council can take over management of an empty property, carry out works to bring it to a lettable standards and bring back in to use for accommodating Council tenants. This can be up to a 5 year period.

The ability to carry out or threaten to carry out enforcement actions is a key enforcement tool for which a budget is an essential requirement and also a budget is necessary to cover the cost of improving/ repairing bringing empty properties to a lettable standard as part of any enforced or voluntary property management arrangements.

**7 Helping younger, older and vulnerable people live independently.** **£4.722m**

**Disabled Facilities Grants for Owner Occupiers** **£2.000m**

This will be funded by £2.0m capital grant from Government through the Better Care Fund. The Allocation in 2016/17 was significant higher at £3.4m but this level can't be guaranteed. In previous years the council has contributed £0.500m of its own resources but due to the low level of capital receipts and other calls on this resource the match funding the council has previously provided is no longer available. However this lower level of match funding may result in households waiting longer for adaptations in their homes and a waiting list may develop towards the latter part of the year. It could also have knock on effect on increasing the financial pressure on local health services and adult social care budgets, it is predicted that 410 disabled facility grants will be approved in the 2017/18 period and that 30% (123) of these will be prioritised as urgent. Cases are deemed urgent to avoid hospital admission. A small proportion of the total will be approvals issued for people awaiting discharge from hospital. Failure to find additional funding may see increased pressure on hospital and care services, therefore the capital receipt position will be reviewed regularly to see if it becomes possible to increase this budget during 2017/18.

### **Private Housing Standards**

**£0.130m**

The Council is under a statutory duty to take action to deal with private rented properties where there is a Cat 1 hazard or a statutory nuisance. We work with landlords to seek compliance thorough co-operation, however where necessary we do have to resort to enforcement action. This can be carrying out works in default or prohibiting the use of part or the whole dwelling. In some cases for the Council may wish to assist landlords to meet required property standards or achieve higher property standards where appropriate.

Such cases for example could include works necessary to tackle childhood asthma or additional costs of fire protection to allow for residential carers for vulnerable adults.

### **Minor Works Grants**

**£0.150m**

This project helps the vulnerable elderly owner occupiers to remain safe, secure and healthy in their homes by funding up to £2K of minor repairs per grant.

Approximately 75 homes will benefit for each year of £0.150m investment, relieving pressure on home care services, hospitals and care homes.

### **Homes and Loans**

**£0.460m**

This service was set up by Sheffield during 2004 to offer affordable loans instead of grants to financially vulnerable home owners living in non-decent accommodation. It continues to provide this service to all local authorities in Yorkshire and the Humber, as well as Sheffield. Such loans require no monthly repayments and only become due when the property changes hands. In addition, the service administers Relocation and Empty Property loans using various funding sources, and also provides Foster Care loans (conditionally non repayable) specifically for Sheffield. The service continues to be funded entirely from non-council resources.

**Sheffield Home Appreciation Loan, (HAL)****£0.050m**

The current budget is fully committed and has been allocated to cases of extreme need where owner occupiers could not sustain continued occupancy of their homes without financial intervention and advice and guidance from housing officers. Further requests for assistance have had to be refused. The recent Building Research Establishment, (BRE), house condition survey shows that there are an increasing number of cases in similar need in the private sector. There is no other form of assistance for to Owner Occupiers to help them stay in their own homes. Funds do not often recycle back into the pot which evidences that this secures homes for people for the long term reducing pressure on council housing and care.

**Adaptations****£1.932m**

Since the start of the Decent Homes programme significant investment in Council housing has taken place to address any household who are in need of adaptations to allow independent living. The demand for adaptations is expected to increase given the age profile of council tenancies across the city. The Decent Homes investment does mean that many of the new bathrooms and adaptations will help suppress cost demand pressures and a number of initiatives to recycle stair lifts and ramps have been implemented to reduce costs. The budget will meet the demand of new requests and also refurbishment of older adaptations in 2017/18.

## Transport Capital Programme 2017/18

### The National Context

1. The LTP is a statutory document that sets out how transport will help support the development of the Sheffield City Region (SCR) over the next 15 years. It comprises a 15 year strategy document covering the Sheffield City Region (2011-2026), together with a series of annual capital programmes for South Yorkshire.
2. The Better Buses Area Fund (BBAF) programme sets out specifically how public transport will help support the economic development of South Yorkshire over the next two years. The programme has three core elements - Smart Ticketing; Smart Infrastructure; and Smart Management.
3. The BB2 capital programme is a five year national pilot initiative, and is at various stages of development and delivery. The core elements are similar to other LTP and BBAF funded work, investing in improved infrastructure to increase efficiency and reduce the cost of bus operations on a number of key corridors (thereby reducing the need for Government direct grant assistance to operators).

### The Local Agenda

4. The funding streams combine to form the Council's overall transport programme. This programme will help deliver our "Vision for Excellent Transport in Sheffield", enabling people to make informed choices about the way they travel and helping transport contribute to the social, economic and environmental improvements we want to happen in the city.
5. The transport programme will reinforce the "Excellent Transport" vision by ensuring that transport contributes to achieving many of the outcomes in the Council's Corporate Plan, and will help deliver the specific transport objectives in the Corporate Plan, namely:
  - Thriving Neighbourhoods and Communities
  - Sustainable and Safe transport
  - Reducing carbon emissions
6. The transport programme also makes a significant contribution to the Council's new Public Health role, and links to on-going "Olympic Legacy" work via Sheffield's National Centre for Sport and Exercise Medicine, by promoting "Active Travel" (walking and cycling).

### 7. Principles of Sheffield's Plan for Transport

- Segregated networks for public transport, walking, cycling and private cars *reducing conflict and accidents and offering improved transport speed, capacity and choice*
- Integration between all modes – thus Park and Ride from city outskirts; bike parking / hire and family friendly dedicated cycling / walking routes to bus and tram stops and key destinations *allowing faster public transport journeys and transforming connectivity*
- A “Metro” style public transport network for the city region integrating bus, tram, tram-train and rail *offering London Underground style simplicity and user confidence in interchange opportunities*
- Mode shift – from private car to walking and cycling for trips typically under two miles and from private car to public transport and cycling for trips under five miles *freeing up road capacity for essential journeys (and the mobility restricted), improving health, air quality and workforce productivity along with access to work and training*
- A defined network of “distributor” roads, engineered to 30mph speed limits (or higher where possible) legible for motorists and road freight and *designed to keep traffic flowing, physically protecting vulnerable users from danger and discomfort and reducing accidents and delays. Fewer major junctions, reducing stop-start motoring*
- Managed traffic volumes and speeds in residential and other areas, distinct from the distributor network *providing high quality, liveable neighbourhoods supporting 20mph speed limits with safe walking and cycling environment and minimising turning movements, traffic signals etc.*

### **Overview of the Programme**

8. Each year, the Council delivers a programme of transport projects, funded by external funds made available nationally. The Local Transport Plan (LTP) is the main process used historically by Government and the Department for Transport (DfT) for local authorities to set out their transport strategy and for the nationwide allocation of funds for projects. Sheffield is part of the South Yorkshire Local Transport Partnership, led by the South Yorkshire Integrated Transport Authority (SYITA). Sheffield’s share of the LTP in 2017/18 is expected to be around £2.5m
9. In recent years the Government has also provided other dedicated funding streams for transport initiatives for authorities to bid for according to specific guidelines. Local Sustainable Transport Fund (LSTF), Better Buses Area Fund (BBAF) and Better Bus Area (BB2) resources are now both available to the South Yorkshire Partnership following successful bids. “Pinch Point” funding was awarded to Sheffield City Council for improvements to Penistone Road.
10. The “Better Buses Area Fund” completed in March 2014. A second “Better Bus Area” fund (BB2) was awarded to the Sheffield Bus Partnership in February 2013 in recognition of the ground-breaking Voluntary Agreement between the principal bus operators, SYPTE and the City Council that was launched in October 2012. This programme totals £18.3m spanning

a five year period - £6.7m revenue activities (coordinated by SYPTE) and £11.6m capital investment. The Council is again responsible for leading on the delivery of these capital projects on behalf of the Sheffield Bus Partnership.

13. The Council's formal Capital Approval process requires full Cabinet sign-off for each funding stream programme as outlined above, and each scheme within these. The lower flexibility of some of these funding streams, and their mixed capital/revenue nature has created further complexity for delivery. This paper therefore sets out current priorities for funding allocations prior to the Council's overall budgets being agreed early in the New Year. Once developed the full programme will be taken through the Strategic Priority Programme Board for approval to ensure that the proposed work delivers benefits which are consistent with the Council's Corporate Plan.
14. The Council will work with the South Yorkshire Integrated Transport Authority to make best use of the available funds.
15. Another very significant influence on timing is the Streets Ahead programme. The Council's contractor Amey is progressing an initial five-year "core investment period" which ends in 2017/18 and most roads and footways in the city will be improved during this time, the works being spread across 108 "zones" to facilitate this. Maximising opportunities to dovetail funding (and therefore achieve value for money) whilst minimising disruption is therefore now central to the priorities for the Council's overall transport capital programme over the next five years.

### **Sheffield City Region Investment Fund Programme (SCRIF)**

16. The Council has agreed a deal with Central Government to devolve up to £500m of investment funds previously controlled by central government. Some of this will be available for transport schemes and can be used by the city region to create significant infrastructure projects to improve connectivity across South Yorkshire, North Derbyshire and North Nottinghamshire. The bidding process for these funds is via the City Region.

### **The "Better Bus Area" (BB2) Programme**

17. This is a similar programme to BBAF, except that it is specific to the Sheffield District as "reward" for the launch of the ground-breaking Sheffield Bus Partnership. It comprises a new five year capital and revenue programme, the capital element of which increases year-on-year with revenue decreasing. The capital programme will be to focus on further infrastructure projects that improve the reliability, punctuality and cost-effectiveness of bus services, hence contributing to passenger growth. The programme is coordinated by the PTE but delivery of most of the infrastructure projects rests with SCC

18. The current proposals for next year would see £4m invested. Approximately £1.1m will be spent completing the North Sheffield corridors whilst the majority of the investment (£2.9m) will be spent on the Chesterfield Road Key Bus Route to accelerate journey times between Heeley Retail Park and Queens Road thereby improving the reliability of services.
19. Infrastructure investment needs to tie into the Streets Ahead programme to minimise disruption and maximise value-for money. Further refinement of the programme will need to be agreed through the Bus Agreement Partners initially and will then be reported to the Cabinet Member and to SYITA as appropriate.

### **Proposed 2017/18 Local Transport Plan Programme**

20. In the coming year, there will be a number of **commitments for continuing existing initiatives**. These include:
  - Accident reduction schemes - additional funding for more schemes to improve road safety, from existing lists of known problem sites.
  - 20mph speed limits outside schools and in residential areas – implementing an agreed programme of 20mph areas where needed across the city, plus associated parking restrictions such as zig-zags outside school gates. The key priority remains on reducing child casualties.
  - The citywide programme of projects under the banner of “Enhancements to the Streets Ahead Programme”, including pedestrian crossings, refuge islands, school entrance schemes – focussed on the twenty zones where Amey are programmed to be working next year;
  - Another city-wide programme, again linked to Streets Ahead, of smaller scale opportunities such as provision of dropped kerbs, guard rails, removal of old street clutter etc. – identified jointly with Amey for each zone and with input from ward Councillors;
  - Another city-wide programme, again linked to Streets Ahead, of small scale cycling opportunities;
  - Cycle Routes - continued progress on a programme of on-street facilities and off-road “Green Routes”, encouraging more people to try different ways of travelling to work and adopt healthier lifestyles whilst avoiding congestion. The LTP investment also enables development work for future bids for DfT funding such as “Cycle Ambition Grant”; “Cycling Cities” etc.
  - Sheffield Bus Agreement Work –the Council’s contribution to the Bus Partnership focuses on dealing with bus hotspots and developing Key Bus



Routes to help prevent buses getting stuck in congestion and hence improve reliability and increase patronage.

- Traffic Management schemes – including small scale traffic signal enhancements and camera enforcement schemes
- Public Rights of Way improvements – a rolling annual programme to maintain local footpaths

Details of these schemes can be found in Appendices 9 and 10.

22. Arising from the above and recognising the overall imperative to align the Capital Programme as much possible with Amey’s “core” programme, the following indicative Programme Blocks are proposed:

<b>Draft 2016/17 LTP Programme by Block Allocation</b>	<b>£ million</b>
Road Safety schemes	<b>0.6</b>
Action linked to “Streets Ahead” Programme	<b>0.6</b>
Contribution to Bus Rapid Transit North project	<b>0.5</b>
Traffic management schemes	<b>0.5</b>
Public Rights of Way	<b>0.1</b>
<b>Total (£2.6m provisionally available)</b>	<b>2.3</b>

Detail project proposals will be brought forward via the Programme Boards as part of the Council’s capital approval process. These numbers are not included within Appendices 9 and 10.

## Regeneration Programme

### The National Context

1. Over the six years, central government policy on capital funding for economic stimulation projects has changed. There has been a move towards investments in projects which repay the original capital either through a direct repayment of the loan or grant from the profits of the project, or higher business rates for local authorities like the TIF schemes (see paragraph 95).
2. The government has sought to create regional funds (like the Local Growth Fund) where cash allocations are made through the Local Enterprise Partnerships (LEPs). The BRT North project has obtained a £2.3m loan to cash flow the project until local building developments generate CIL earnings to repay the loan.
3. In the future, government policy may further devolve funding for skills, transport, regeneration projects and other capital spending decisions to City Region authorities with the involvement of the Local Enterprise Partnerships (LEP) in capital allocation decisions

### The Local Agenda

4. In practice this means that there is a substantial fund known as the Sheffield City Region Investment Fund (SCRIF) which is available to the leaders of the Sheffield City Region (SCR) to allocate and transform the infrastructure and economy of the SCR.
5. The Council has already succeeded in securing £5m public realm improvements for the Grey-to-Green in the West Bar area and to develop a high quality campus around the University of Sheffield. Further bids will be made for projects to develop the city centre around Castlegate, Fitzalan Square to Paternoster Row and, promote an industrial development at Claywheels Lane.
6. £10m has been invested in a Lightweighting Centre. The project provides a great opportunity to expand the region's existing advanced manufacturing hub by investing in new technologies to develop light weight materials which are used in the aerospace and automotive industries. It should help to attract inward investment creating skilled high quality jobs for the people of Sheffield.
7. The biggest scheme under the development is the Sheffield Retail Quarter (also known as the New Development District). For the moment this is being wholly funded by the Council as it acquires the necessary parcels of land and develops

the blue print for the scheme. This work will be completed to enable the process for selecting the development partner of land. The options for structuring the property deal are being finalised and will be presented to Cabinet. The potential for the Council to work up the project to create an investment grade opportunity and either seek a forward sale with interim funding or fund the scheme directly is also being considered.

8. These schemes support the Council's strategy to create a revitalised city centre which will drive footfall and business creating jobs and grow the economy of the city.
9. The regeneration of the city extends beyond the city centre. In the Lower Don Valley the Council has a number of initiatives aimed at regenerating the area. This strategy is based upon securing the future of the established businesses through better flood defences, creating new businesses by developing the Olympic Legacy Park for use as an Advanced Well-being and Research centre, and creating new homes and schools in the area to support the growth of the community.
10. Other joint initiatives with Rotherham Metropolitan Borough Council over Sheffield – Rotherham Economic Corridor and national investment like the Tram-Train project should further strengthen the development of the area.
11. Plans are also being drawn up to regenerate the Upper Don Valley to create more employment and housing from Parkwood right through to Stocksbridge and Deepcar. These will be brought forward in due course.

#### **The Capital Programme 2017-18**

12. The key component of the 2017-18 Capital Programme is the £53.7m spend to complete the office block within the SRQ..

#### **The Expected Benefits**

13. Through these works the Council aims to promote more economic activity, create a better public realm and the lift overall national standing of the city.





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